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QUARTERLY



Canada. Statistics, Bureau of

**NATIONAL ACCOUNTS:
INCOME AND EXPENDITURE**

FIRST QUARTER

1961-65



DOMINION BUREAU OF STATISTICS

National Accounts Division

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National Accounts Division



NATIONAL ACCOUNTS
INCOME AND EXPENDITURE
FIRST QUARTER

1961

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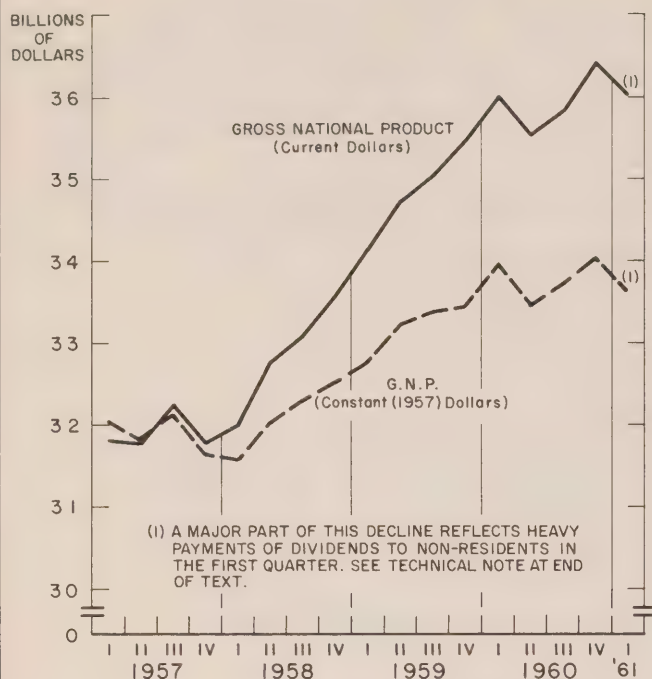
"National Accounts, Income and Expenditure, by Quarters, 1947-1957", for the years 1947-1954.

"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1960", for the years 1955-1959.

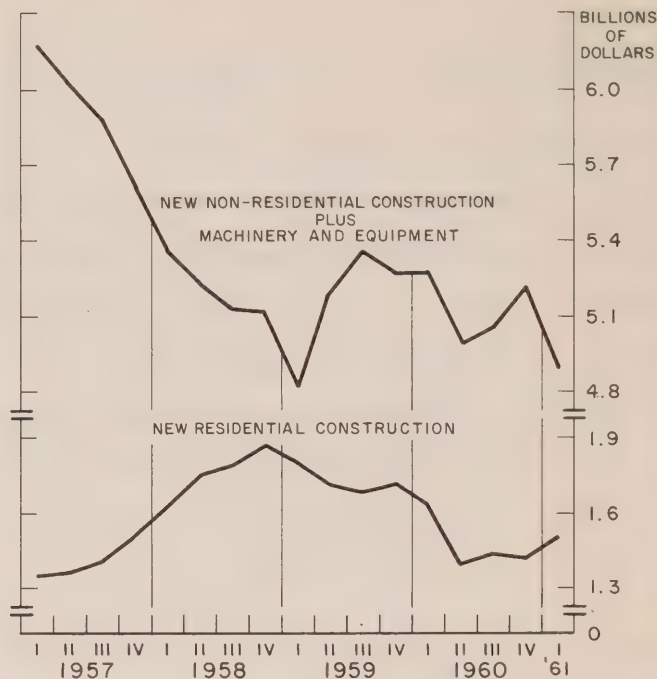
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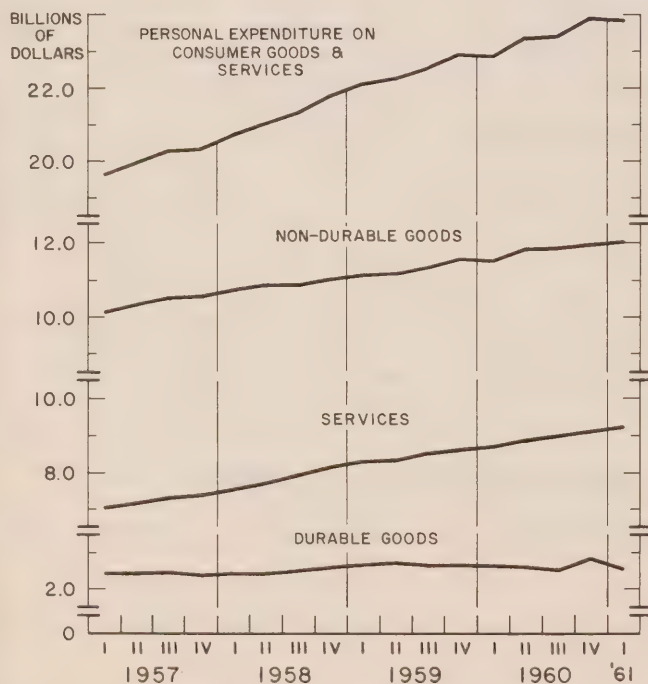
THE ADVANCE IN GROSS NATIONAL PRODUCT SINCE THE SECOND QUARTER OF 1960 WAS INTERRUPTED IN THE FIRST QUARTER OF 1961, AS A DECLINE OCCURRED IN BOTH THE VALUE AND VOLUME OF PRODUCTION



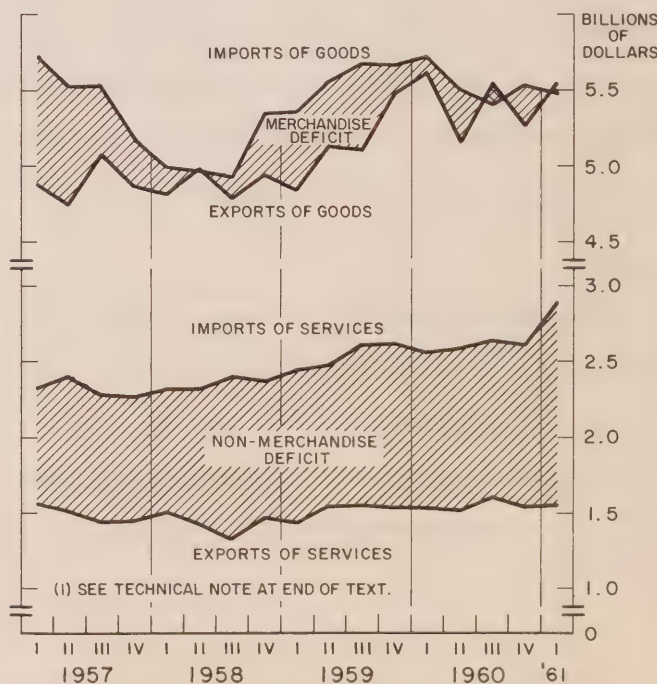
BUSINESS OUTLAYS FOR NEW PLANT AND EQUIPMENT WEAKENED IN THE FIRST QUARTER, BUT RESIDENTIAL CONSTRUCTION OUTLAYS INCREASED



CONSUMER EXPENDITURE DECLINED SLIGHTLY IN THE FIRST QUARTER DUE TO A SHARP DROP IN EXPENDITURES ON DURABLE GOODS



THE DEFICIT ON CURRENT ACCOUNT NARROWED SLIGHTLY IN THE FIRST QUARTER, AS THE BALANCE ON MERCHANDISE TRADE SHOWED A SMALL SURPLUS. THE DEFICIT ON INVISIBLES CONTINUED TO WIDEN, AS DIVIDENDS PAID ABROAD ADVANCED SHARPLY (i)



(IN ALL CHARTS DATA ARE SEASONALLY ADJUSTED AT ANNUAL RATES)

INTRODUCTORY REVIEW

The pace of economic activity slackened a little in the first quarter of 1961, after seasonal factors are taken into account. This development was associated with a sharp drop in business outlays for new plant and equipment which had been moving upward in the preceding two quarters, and with a small decline in personal expenditure on consumer goods and services following the marked advance of the fourth quarter of 1960. Business inventories, which had shown a small accumulation in the final quarter of last year, shifted to a neutral position. These downward tendencies in final and inventory demand were largely offset by a substantial advance in outlays for new housing, a marked recovery in exports of goods and services following the fourth quarter decline, and continued strength in government expenditure. The changes in these major demand categories are shown in the table overleaf.

The decline in Gross National Product, which amounted to 1.2 per cent, was considerably larger than can be accounted for by the developments described above. The greater part of the decline reflected an unusually sharp increase in dividends paid abroad in the first quarter of 1961. The latter, being earnings of non-residents, are excluded from Gross National Product. Corporation profits, for national income purposes, are measured after payment of dividends paid abroad; and on the expenditure side, the deduction made for imports of goods and services includes as one of its component elements, an estimate of dividends paid abroad. (For further details, see the Technical Note at the end of this text).

The quantitative effect of this factor on the first quarter figures is apparent in the following Table:

	<u>4Q 1960</u> \$ millions	<u>1Q 1961</u> \$ millions	<u>Per cent</u> <u>Change</u>
	(Seasonally Adjusted at Annual Rates)		
Gross National Product	36,436	36,012	- 1.2
Add: Dividends Paid Abroad.	404	744	84.2
Gross National Product Plus Dividends Paid Abroad	36,840	36,756	- 0.2

The unusually large increase in dividends paid abroad in the first quarter merits some comment, since the statistical effect on the change in the Gross National Product in the quarter is substantial. In part, the explanation is found in the fact that dividend payments to non-residents in the fourth quarter of 1960 rose less than seasonally, reflecting the absence of or contractions in amounts remitted by some large Canadian companies to their non-resident parents. In the first quarter of 1961, considerably higher dividend payments were made by a number of these companies.

The direction of movement of the major income aggregates diverged in the first quarter. Corporation profits were down by .9 per cent before dividends paid abroad, and by 23 per cent after dividends paid abroad. Fully reflecting the drop in corporate profits, National Income was down nearly 2 per cent, on a seasonally adjusted basis. At the same time, personal income was fractionally higher and personal disposable income was up about one-half of 1 per cent. A slight gain in labour income and a substantial increase in estimated farm income⁽¹⁾ were more than sufficient to offset a moderate decline in most other components of personal income; a drop in personal income taxes gave further support to personal disposable income.

Production and Employment

Apart from the effect of the adjustment for dividends paid abroad, the decline in the value of production in the first quarter was small, and amounted to only 0.2 per cent, as indicated in the table above. With prices relatively stable, the changes shown in the value figures closely reflect changes which occurred in the real volume of production during the quarter. Small declines occurred in the production of both the goods-producing and the service-producing industries. The following section discusses these changes in greater detail.

(1) Crop production in 1961, based on a calculation involving acreage intentions and ten-year average yields, is estimated to be slightly lower than production in 1960 (see Footnote 3, Table 9). However, the drop was more than offset by increases in livestock production and in cash income from the sale of other farm products.

Quarter to Quarter Changes in Final Purchases

(Seasonally Adjusted at Annual Rates)

(\$ millions)

	1Q'58	2Q'58	3Q'58	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59	1Q'60	2Q'60	3Q'60	4Q'60	1Q'61	2Q'61	3Q'61	4Q'61
	1Q'58	2Q'58	3Q'58	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59	1Q'60	2Q'60	3Q'60	4Q'60	1Q'61	2Q'61	3Q'61	4Q'61
	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to
	2Q'58	3Q'58	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59	1Q'60	2Q'60	3Q'60	4Q'60	1Q'61	2Q'61	3Q'61	4Q'61	4Q'61
1. Personal Expenditure	280	284	480	320	156	300	332	-24	480	44	524	-88				
2. Government Expenditure	264	104	-4	88	172	-208	60	88	132	212	92	32				
3. Residential Construction	136	36	76	-68	-84	-32	36	-84	-244	48	-20	88				
4. Non-Residential Construction	-4	-76	-96	-220	124	16	32	-44	-132	108	16	-192				
5. Machinery and Equipment	-116	-36	88	-84	256	148	-124	52	-156	-40	152	-136				
6. Exports	104	-248	248	-136	404	-24	372	128	-496	492	-356	300				
7. Total Final Purchases	664	64	792	-100	1,028	200	708	116	-416	864	408	4				
8. (Final Domestic Demand)	(560)	(312)	(544)	(36)	(624)	(224)	(336)	(-12)	(80)	(372)	(764)	(-296)				

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in Non-Farm Business Inventories	460	192	32	464	-280	212	-148	372	-312	-512	284	-104				
10. Imports	-20	44	400	80	232	248	-12	4	-192	-48	96	240				
11. GNP (ex. farm)	748	384	452	552	684	232	624	216	-264	244	528	-520				

Among the primary industries, there was a distinct drop in output in forestry in the first quarter, largely a result of the decline in production of pulpwood. Output in mining was somewhat higher in the quarter, although the index remained well below the levels reached two years earlier. The recent movement of the mining index reflects a substantial increase in the output of iron ore, which more than offsets a fall in output of most other metals, and a slight decline in production of fuels. The downward drift of the mining index over the past eighteen months is largely the result of the "stretching out" of uranium contracts.

A less than 1 per cent drop in manufacturing production is attributable to the durable goods industries; output in non-durable goods industries was slightly higher. Production in the quarter was lower in all the durable goods industries but the declines were small in all cases, ranging from a fractional decline in non-ferrous metals to one of 5 per cent in transportation equipment. While production of primary iron and steel was down by 3 per cent on a seasonally adjusted quarterly comparison, there was a decided upward movement within the quarter, March production being 14 per cent higher than the January figure. Likewise, in non-durable manufacturing industries, changes in production in the first quarter were for the most part small; output was moderately higher in clothing, leather products and textiles and considerably lower in rubber products.

The volume of output in the construction industry continued to decline in the first quarter, and was about 3 per cent lower than in the preceding quarter; the decline was centred in non-residential construction activity, with the volume of housing construction higher than in the preceding quarter.

Among the service-producing industries there was a moderate drop in the volume of trade as well as some falling off in activity in the government, community, business, recreation and personal services group. Transportation, communication and storage, and finance, insurance and real estate recorded a somewhat higher level of activity.

The slight falling off in the volume of production in the first quarter was accompanied by a small decline (0.3 per cent) in the number of persons employed, as well as somewhat shorter hours of work in some industries, after allowing for seasonal factors. Unemployment as a percentage of the labour force, averaging 7.7 per cent in the first quarter (seasonally adjusted), was slightly higher than in the preceding quarter.

Consumer Buying

Consumer buying eased slightly in the first quarter, in spite of some gain in personal disposable income. At a seasonally adjusted annual rate of \$23.9 billion, personal expenditure was almost one-half of 1 per cent lower than in the fourth quarter of 1960. Consumer prices on the whole were unchanged in the quarter, so that the change in the volume paralleled the change in the value of purchases.

A contraction in purchases of durables was the most important single factor depressing the level of consumer spending. The drop in purchases of new and used cars is estimated at 17 per cent from the high level of the fourth quarter. At the same time, purchases of other major durables -- furniture and appliances and radios -- were also somewhat lower, a trend that had been evident throughout most of 1960. Thus the recovery in sales of household durables that appeared to be developing in the closing months of 1960 was not maintained in the opening quarter of 1961. Factory shipments of the major household durables continued to be below the level of a year earlier, with declines ranging from about 3 per cent for electric stoves to about 20 per cent for refrigerators. Prices of new cars and of household appliances were somewhat lower, so that price declines account for a small part of the 10 per cent drop in total durable spending.

Purchases of non-durables were somewhat higher in the quarter, although experience varied as between trades. Spending on two major categories, food and clothing, were lower when seasonal factors are taken into account. Prices of non-durable goods as a whole were virtually unchanged.

Expenditure on services, continuing its steady advance, was about 1 1/2 per cent higher than in the fourth quarter of 1960. Part of this increase represents a moderate rise in prices, particularly in the shelter component.

The slight decline in consumer buying accompanied by a modest expansion in personal disposable income resulted in a distinct upward shift in the rate of personal saving between the fourth and the first quarters. The rate of 6.9 per cent compares with one of 6.1 per cent in the preceding quarter and one of 6.7 per cent for 1960 as a whole.

Business Gross Fixed Capital Formation

After some recovery in total business gross fixed capital formation in the latter half of 1960, outlays in the first quarter fell by 3 1/2 per cent from the level of the fourth quarter, on a seasonally adjusted basis. As a percent of Gross National Product, the first quarter rate of capital spending amounted to 18 per cent, compared with the peak rate of 23 per cent for the full year 1957. The first quarter rate of capital spending, amounting to \$6.4 billion, is below the level of intentions stated for the year 1961 in "Private and Public Investment in Canada - Outlook 1961", by about 4 per cent. The weakness in the first quarter was in business outlays for plant and equipment; expenditures for new housing made a significant advance.

Housing starts, seasonally adjusted, had begun to rise in the third quarter of 1960, and by the fourth quarter had overtaken completions. The advance continued in the first quarter of 1961 when starts were at a very high level for the winter period. Completions were at a rate that was relatively low in terms of the past three years, but a gain of 11 per cent over the rate of the fourth quarter. Outlays for residential construction thus rose to \$1.5 billion, an increase of 6 per cent from the preceding quarterly rate. The improvement in housing starts is indicative of the response of the housing market to the easing of National Housing Act lending terms at the end of 1960. It should be noted that preliminary data on housing starts suggest that the first quarter's impressive margin of increase was reversed in the months of April and May.

Business expenditures for plant and equipment were at a seasonally adjusted annual rate of \$4.9 billion in the first quarter, about 6 per cent lower than in the preceding quarter. The major part of the decline was in expenditures on non-residential construction, but outlays for machinery and equipment were also appreciably lower. The fall-off in machinery and equipment items was fairly widespread but was more evident in imports than in domestic shipments.

Investment in Business Inventories

During the course of 1960 the movement of business inventories had a considerable effect on the course of economic activity; the high rate of accumulation evident in the first quarter dropped sharply in the second, giving way to liquidation in the third and then to renewed stock-building, although on a modest scale, in the closing quarter of the year. By contrast, inventory behaviour in the first quarter of 1961 had little impact on the economy, with the rate of accumulation falling close to zero.

Changes in Business Inventories by Quarters

(Seasonally Adjusted at Annual Rates)

	1960				1961
	(1)	(2)	(3)	(4) ^r	(1)
	(millions of dollars)				
Manufacturing	304	216	- 188	32	24
Wholesale	88	36	- 100	8	68
Retail	248	112	220	148	- 32
Other	8	- 28	- 108	24	48
Adjusting Entry(1)				- 104	- 104
Total	648	336	- 176	108	4

(1) Revisions have been made to the figures of inventory change for manufacturing, and retail and wholesale trade in the fourth quarter of 1960. The change in total business inventories in the fourth quarter, however, has not been revised pending a complete revision of the Accounts. The correct relationship between the fourth and first quarter totals has been maintained by introducing an adjusting entry in the Table.

At the manufacturing level, both production and shipments declined in the first quarter, and manufacturing inventories showed little change from the position of limited accumulation which marked the fourth quarter of 1960. Available information suggests that there was very little movement in stocks of raw materials, and that a decline in finished products was more than offset by an increase in holdings of goods in process.

The rate at which goods were being built up in the non-durable manufacturing industries increased in the first quarter, primarily because of the build-up in the food industry. There was a continued liquidation of inventories in the durable goods industries, with a further reduction in stocks held in the iron and steel and electrical products industries, and a sharp reduction in the wood products group. The large accumulation in the non-ferrous metal products industry which occurred in the fourth quarter of 1960 was not repeated in the first quarter as production and demand moved into closer balance.

At the retail level, the most significant change occurred in stocks held by the motor vehicle dealers group, where the liquidation of inventories reflected attempts to reduce stocks in the face of a sharp decline in sales. This development was the main determinant of the over-all movement of retail stocks, which shifted from a position of moderate accumulation in the fourth quarter of 1960 to a position of slight inventory liquidation in the first quarter of 1961. There was a further build-up in stocks of food stores, but at no greater rate than that which prevailed in the fourth quarter. As noted earlier, this development is associated with a small decline in consumer spending on food in the first quarter.

The small build-up in wholesalers' inventories was centred in the non-durables group and was fairly widely distributed.

Exports and Imports of Goods and Services

Exports of goods and services were at a seasonally adjusted annual rate of \$7.1 billion in the first quarter, about 4 1/2 per cent higher than in the preceding quarter, while imports of goods and services, at a rate of \$8.4 billion, were up about 3 per cent. The merchandise account moved to a slight surplus. A decidedly sharp increase in payments on services, largely attributable to interest and dividends paid abroad, resulted in marked widening of the deficit on invisibles.

The rise in seasonally adjusted merchandise exports, in the first quarter, of 5.5 per cent, was concentrated in exports to both the United States and the United Kingdom, with the increase to the latter country being particularly sharp. Merchandise imports in total showed little change, with imports from the United States declining, and a sharp increase occurring in imports from the United Kingdom.

The recent adoption of the Standard Commodity Classification for exports has temporarily delayed compilation of commodity detail which would normally be available at this time. There is, therefore, not sufficient information at present to furnish the detailed information on the composition of trade that is usually included in these reports.

Labour Income

Labour income in the first quarter was at a seasonally adjusted annual rate of \$18.8 billion, slightly higher than in the fourth quarter of 1960. There was some increase within the quarter, following the small drop apparent at the turn of the year.

For the most part, the changes in labour income by industry in the first quarter were fairly small. Forestry is a notable exception; labour income in this industry was down about 10 per cent, reflecting a considerably lower level of employment. Labour income was also lower in construction and mining, although to a much lesser extent. In all other industrial groups, including manufacturing, there were small increases. In manufacturing, higher hourly rates of pay more than offset a decline in numbers employed and in hours of work.

Corporate Profits

Corporate profits before dividends paid abroad were running at a seasonally adjusted annual rate of \$2.8 billion in the first quarter of 1961, a decline of about 9 per cent from the fourth quarter level. However, dividends paid abroad were unusually large in the first quarter, with the result that corporate profits as measured in the National Accounts (that is, after deduction of dividends to non-residents), were down 23 per cent.

While some fall-off in profits was common to all major industry groups (with the single exception of public utilities, where there was no change), the sharpest declines were in wholesale and retail

trade where profits fell by 35 and 38 per cent respectively. These movements reflected the lack of buoyancy in consumer markets and the easing in some prices. In mining and manufacturing, profits fell by 4 per cent and 6 per cent respectively. The trend of profits in the individual manufacturing industries varied widely, but for the most part earnings were considerably improved in the non-durable lines and considerably reduced in the durable lines. As mentioned earlier, durable goods production was lower in the quarter, while output of non-durables was fractionally higher. Specific reference to three important manufacturing industries will indicate the diversity in the earnings experience in the first quarter; profits were up about 3 per cent in paper, down about 5 per cent in foods and beverages and down about 16 per cent in iron and steel.

Profits dropped by about 10 per cent in transportation, communication and storage, while profits in the finance, insurance and real estate group were only slightly lower.

Government Accounts and National Saving

Total revenues of all governments, seasonally adjusted, declined by 1 per cent from the fourth quarter of 1960 to the first quarter of 1961. Federal government revenues declined by about 2 per cent, whereas provincial and municipal revenues showed little change. Total expenditures of all levels of government also declined, again by about 1 per cent. Thus, the deficit of the combined levels of government (on the National Accounts' basis) remained relatively unchanged, a moderate decline in the federal deficit being offset by an increase at the provincial and municipal level.

Total national savings declined by 7 per cent from the fourth quarter of 1960 to the first quarter of 1961, on a seasonally adjusted basis. Within the total there were offsetting movements; personal net saving rose sharply, offset by an equally sharp decline in business gross saving. The latter reflected primarily a lower rate of retained profits. As noted above, there was no change in the deficit position of the consolidated government account.

TECHNICAL NOTE

A change in presentation has been made in Tables 1 and 9 of this report. In previous National Accounts reports, "Corporation Profits Before Taxes" (line 3) has been shown after payment of dividends to non-residents, as a single total. The adjustment for dividends paid to non-residents is made because Gross National Product is a measure of incomes accruing to Canadian factors of production, and earnings of non-residents are excluded, by definition, from this aggregate. In the present report, the adjustment to exclude dividend payments to non-residents has been made explicit, and the item has been treated in the following manner:

Line 3 - Corporation Profits Before Taxes and Before
Dividends Paid to Non-Residents.

Line 4 - Deduct: Dividends Paid to Non-Residents.

This presentation of the statistics will be carried forward in future National Accounts' reports.

In principle, in order to exclude the earnings of non-resident factors of production from Gross National Product, undistributed corporation profits accruing to non-residents should also be deducted, in addition to the dividend payments to non-residents. However, statistics are not available which permit the complete adjustment to be carried out in this way. Dividends paid abroad are therefore taken as an approximate measure of the profits accruing to non-residents. Apart from the highly irregular behaviour of the series in the first quarter of 1961, this treatment appears to have provided a reasonably realistic and satisfactory solution to the statistical problem.

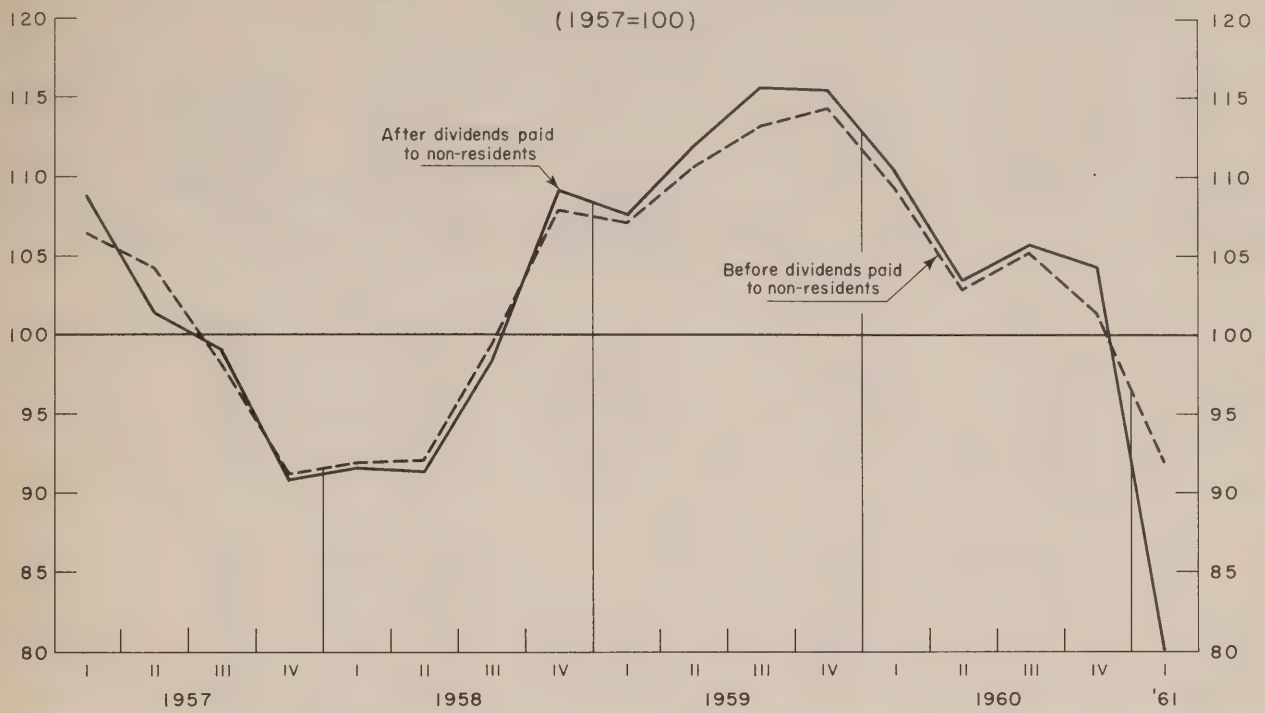
As has been indicated in the main text of this report, the unusually sharp increase in dividends paid to non-residents between the fourth quarter of 1960 and the first quarter of 1961 (seasonally adjusted), was the most important single factor affecting the movement of total Gross National Product; the greater part of the 1.2 per cent decline in Gross National Product in the first quarter is attributable to the sharp change occurring in this item. It is not evident that profits accruing to non-residents moved parallel to dividends paid abroad in the first quarter of this year.

The Chart below compares the movement of corporation profits both before dividends paid abroad and after dividends paid abroad. The two series have shown a high degree of conformity in the past, and the first quarter of 1961 represents the only occasion in the post-war record in which a marked divergence has occurred. (The record of these series for the past decade is also shown on pages 12 and 13.)

CORPORATION PROFITS BEFORE TAXES

Seasonally Adjusted

(1957=100)



Seasonally Unadjusted				Seasonally Adjusted At Annual Rates		
	Corporation Profits before Taxes and before Dividends Paid to Non-residents	Deduct: Dividends Paid to Non-residents	Corporation Profits before taxes and after Dividends Paid to Non-residents	Corporation Profits before taxes and before Dividends Paid to Non-residents	Deduct: Dividends Paid to Non-residents	Corporation Profits before taxes and after Dividends Paid to Non-residents
(millions of dollars)						
1950 1	447	-80	367	2,040	-404	1,636
2	602	-98	504	2,236	-380	1,856
3	756	-61	695	2,844	-340	2,504
4	717	-165	552	2,968	-492	2,476
Year	2,522	-404	2,118	2,522	-404	2,118
1951 1	703	-83	620	3,080	-380	2,700
2	788	-75	713	2,896	-348	2,548
3	696	-72	624	2,664	-380	2,284
4	638	-140	498	2,660	-372	2,288
Year	2,825	-370	2,455	2,825	-370	2,455
1952 1	589	-67	522	2,664	-312	2,352
2	721	-63	658	2,616	-280	2,336
3	719	-79	640	2,688	-404	2,284
4	669	-125	544	2,824	-340	2,484
Year	2,698	-334	2,364	2,698	-334	2,364
1953 1	608	-68	540	2,780	-304	2,476
2	740	-79	661	2,736	-364	2,372
3	681	-60	621	2,516	-300	2,216
4	582	-110	472	2,412	-300	2,112
Year	2,611	-317	2,294	2,611	-317	2,294
1954 1	482	-71	411	2,240	-320	1,920
2	602	-64	538	2,252	-304	1,948
3	625	-62	563	2,320	-316	2,004
4	581	-130	451	2,348	-368	1,980
Year	2,290	-327	1,963	2,290	-327	1,963
1955 1	552	-108	444	2,592	-468	2,124
2	773	-74	699	2,808	-356	2,452
3	844	-68	776	3,140	-360	2,780
4	796	-145	651	3,320	-396	2,924
Year	2,965	-395	2,570	2,965	-395	2,570

Seasonally Unadjusted				Seasonally Adjusted at Annual Rates		
	Corporation Profits before Taxes and before Dividends Paid to Non-residents	Deduct: Dividends Paid to Non-residents	Corporation Profits before taxes and after Dividends Paid to Non-residents	Corporation Profits before Taxes and before Dividends Paid to Non-residents	Deduct: Dividends Paid to Non-residents	Corporation Profits before taxes and after Dividends Paid to Non-residents
(millions of dollars)						
1956 1	704	- 93	611	3,332	- 408	2,924
2	923	- 87	836	3,348	- 424	2,924
3	905	- 107	798	3,360	- 456	2,904
4	813	- 150	663	3,340	- 460	2,880
Year	3,345	- 437	2,908	3,345	- 437	2,908
1957 1	682	- 101	581	3,256	- 448	2,808
2	876	- 118	758	3,184	- 568	2,616
3	806	- 109	697	3,000	- 444	2,556
4	692	- 147	545	2,784	- 440	2,344
Year	3,056	- 475	2,581	3,056	- 475	2,581
1958 1	586	- 97	489	2,808	- 444	2,364
2	779	- 96	683	2,816	- 460	2,356
3	802	- 120	682	3,032	- 496	2,536
4	821	- 157	664	3,296	- 480	2,816
Year	2,988	- 470	2,518	2,988	- 470	2,518
1959 1	688	- 106	582	3,272	- 496	2,776
2	939	- 104	835	3,380	- 492	2,888
3	887	- 116	771	3,460	- 476	2,984
4	887	- 168	719	3,492	- 512	2,980
Year	3,401	- 494	2,907	3,401	- 494	2,907
1960 1	724	- 107	617	3,344	- 492	2,852
2	875	- 106	769	3,144	- 476	2,668
3	823	- 120	703	3,216	- 488	2,728
4	778	- 132	646	3,096	- 404	2,692
Year	3,200	- 465	2,735	3,200	- 465	2,735
1961 1	599	- 160	439	2,812	- 744	2,068

TABLE 1. National Income and Gross National Product, by Quarters, 1960 and 1961

(millions of dollars)

	1960					1961
	I	II	III	IV	Year	I
1. Wages, Salaries, and Supplementary Labour Income	4,397	4,622	4,792	4,703	18,514	4,504
2. Military Pay and Allowances	119	129	127	134	509	129
3. Corporation Profits before Taxes and before Dividends Paid to Non-Residents(1)	724	875	823	778	3,200	599
4. Deduct: Dividends Paid to Non-Residents(2)	-107	-106	-120	-132	-465	-160
5. Rent, Interest, and Miscellaneous Investment Income	573	582	590	617	2,362	596
6. Accrued Net Income of Farm Operators from Farm Production(3)	5	112	988	102	1,207	44
7. Net Income of Non-Farm Unincorporated Business(4)	460	550	513	582	2,105	440
8. Inventory Valuation Adjustment(5)	-34	-26	-16	19	-57	22
9. NET NATIONAL INCOME AT FACTOR COST	6,137	6,738	7,697	6,803	27,375	6,174
10. Indirect Taxes less Subsidies	1,066	1,116	1,095	1,112	4,389	1,094
11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	1,008	1,091	1,080	1,112	4,291	1,000
12. Residual Error of Estimate	-86	-199	88	101	-96	-84
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	8,125	8,746	9,960	9,128	35,959	8,184
14. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators)	(8,120)	(8,634)	(8,972)	(9,026)	(34,752)	(8,155)

- (1) In previous publications this item was shown after deduction of dividends paid to non-residents, it is now however inclusive of such dividends. In order to derive series consistent with past published figures, lines 3 and 4 must be combined.
- (2) Includes the withholding tax applicable to this item. Also includes some net profits of non-Canadian non-financial corporations. Since the withholding tax is also part of National Product, it is included again in Rent, Interest and Miscellaneous Investment Income.
- (3) Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.
- (4) Includes net income of independent professional practitioners.
- (5) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1960 and 1961

(millions of dollars)

	1960					1961
	I	II	III	IV	Year	I
1. Personal Expenditure on Consumer Goods and Services	5,377	5,858	5,755	6,419	23,409	5,581
2. Government Expenditure on Goods and Services(1)(2)	1,491	1,533	1,953	1,739	6,716	1,600
3. Business Gross Fixed Capital Formation(3)	1,411	1,740	1,788	1,673	6,612	1,293
4. New Residential Construction	317	365	399	395	1,476	291
5. New Non-Residential Construction	478	620	787	682	2,567	439
6. New Machinery and Equipment	616	755	602	596	2,569	563
7. Value of Physical Change in Inventories(4)	68	-112	670	-310	316	-33
8. Non-Farm Business Inventories	353	-35	-114	25	229	227
9. Farm Inventories and Grain in Commercial Channels	-285	-77	784	-335	87	-260
10. Exports of Goods and Services	1,582	1,692	1,918	1,765	6,957	1,561
11. Deduct: Imports of Goods and Services	-1,890	-2,164	-2,037	-2,057	-8,148	-1,902
12. Residual Error of Estimate	86	199	-87	-101	97	84
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	8,125	8,746	9,960	9,128	35,959	8,184

- (1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.
- (2) For details of defence expenditures see Tables 6 and 14.
- (3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.
- (4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Sources of Personal Income, by Quarters, 1960 and 1961

(millions of dollars)

	1960					1961
	I	II	III	IV	Year	I
1. Wages, Salaries, and Supplementary Labour Income	4,397	4,622	4,792	4,703	18,514	4,504
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds	-187	-176	-188	-188	-739	-188
3. Military Pay and Allowances	119	129	127	134	509	129
4. Net Income Received by Farm Operators from Farm Production(1)	22	117	979	83	1,201	67
5. Net Income of Non-Farm Unincorporated Business	460	550	513	582	2,105	440
6. Interest, Dividends, and Net Rental Income of Persons(2) ...	647	668	658	723	2,696	661
Transfer Payments to Persons:						
7. From Government (Excluding Interest)	901	754	712	749	3,116	1,007
8. Charitable Contributions by Corporations	10	10	10	10	40	9
9. PERSONAL INCOME	6,369	6,674	7,603	6,796	27,442	6,629

(1) This item differs from line 6 of Table 1 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 4. Disposition of Personal Income, by Quarters, 1960 and 1961

(millions of dollars)

	1960					1961
	I	II	III	IV	Year	I
1. Personal Direct Taxes	557	639	578	584	2,358	575
2. Income Taxes	428	548	501	500	1,977	454
3. Succession Duties	49	39	32	38	158	39
4. Miscellaneous	80	52	45	46	223	82
5. Personal Expenditure on Consumer Goods and Services	5,377	5,858	5,755	6,419	23,409	5,581
6. Non-Durable Goods	2,636	2,831	2,922	3,394	11,783	2,740
7. Durable Goods	586	763	602	736	2,687	560
8. Services(1)	2,155	2,264	2,231	2,289	8,939	2,281
9. Personal Net Saving	435	177	1,270	-207	1,675	473
10. Personal Saving Excluding Change in Farm Inventories	665	281	568	144	1,658	711
11. Value of Physical Change in Farm Inventories	-230	-104	702	-351	17	-238
12. PERSONAL INCOME	6,369	6,674	7,603	6,796	27,442	6,629
13. (Personal Disposable Income)(2)	(5,812)	(6,035)	(7,025)	(6,212)	(25,084)	(6,054)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 5. Government Revenue and Expenditure, by Quarters, 1960 and 1961

(millions of dollars)

REVENUE

	1960					1961
	I	II	III	IV	Year	I
1. Direct Taxes - Persons	557	639	578	584	2,358	575
2. Federal	447	556	506	507	2,016	461
3. Provincial and Municipal	110	83	72	77	342	114
4. Direct Taxes - Corporations	328	396	373	352	1,449	287
5. Federal	263	317	298	282	1,160	230
6. (Federal Tax Collections)	(307)	(406)	(364)	(306)	(1,383)	(302)
7. Provincial	65	79	75	70	289	57
Withholding Taxes:						
8. Federal	23	19	18	17	77	34
9. Indirect Taxes	1,120	1,174	1,155	1,174	4,623	1,146
10. Federal	501	570	541	569	2,181	496
11. Provincial and Municipal	619	604	614	605	2,442	650
12. Investment Income	233	253	243	331	1,060	234
13. Federal	67	86	72	129	354	64
14. Provincial and Municipal	166	167	171	202	706	170
15. Employer and Employee Contributions to Social Insurance and Government Pension Funds	187	176	188	188	739	188
16. Federal	127	115	125	125	492	126
17. Provincial and Municipal	60	61	63	63	247	62
Transfers from Federal:						
18. Provincial and Municipal	249	247	241	254	991	257
19. Total Revenue	2,697	2,904	2,796	2,900	11,297	2,721
20. Federal	1,428	1,663	1,560	1,629	6,280	1,411
21. Provincial and Municipal	1,269	1,241	1,236	1,271	5,017	1,310

TABLE 6. Government Revenue and Expenditure, by Quarters, 1960 and 1961

(millions of dollars)

EXPENDITURE

	1960					1961
	I	II	III	IV	Year	I
1. Goods and Services	1,491	1,533	1,953	1,739	6,716	1,600
2. Federal	669	647	732	691	2,739	692
3. (Defence)	(434)	(349)	(388)	(390)	(1,561)	(438)
4. Provincial and Municipal	822	886	1,221	1,048	3,977	908
5. Transfer Payments to Persons (Excluding Interest on the Public Debt)	901	754	712	749	3,116	1,007
6. Federal	581	494	437	471	1,983	599
7. Provincial and Municipal	320	260	275	278	1,133	408
8. Interest on the Public Debt	230	254	232	333	1,049	228
9. Federal	168	169	177	242	756	160
10. Provincial and Municipal	62	85	55	91	293	68
11. Subsidies	54	58	60	62	234	52
12. Federal	52	56	57	57	222	50
13. Provincial	2	2	3	5	12	2
Transfers to Provincial and Municipal:						
14. Federal	249	247	241	254	991	257
15. Total Expenditure	2,925	2,846	3,198	3,137	12,106	3,144
16. Federal	1,719	1,613	1,644	1,715	6,691	1,758
17. Provincial and Municipal	1,206	1,233	1,554	1,422	5,415	1,386
18. Deficit (-) or Surplus (+)	-228	58	-402	-237	-809	-423
19. Federal	-291	50	-84	-86	-411	-347
20. Provincial and Municipal	63	8	-318	-151	-398	-76
21. Total Expenditure Minus Deficit or Plus Surplus	2,697	2,904	2,796	2,900	11,297	2,721
22. Federal	1,428	1,663	1,560	1,629	6,280	1,411
23. Provincial and Municipal	1,269	1,241	1,236	1,271	5,017	1,310

TABLE 7. National Saving Account, by Quarters, 1960 and 1961
(millions of dollars)

SOURCE						
	1960					1961
	I	II	III	IV	Year	I
1. Personal Net Saving	435	177	1,270	-207	1,675	473
2. Business Gross Saving	1,170	1,345	1,312	1,294	5,121	1,015
3. Undistributed Corporation Profits	179	259	223	163	824	38
4. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	1,008	1,091	1,080	1,112	4,291	1,000
5. Adjustment on Grain Transactions(1)	-17	-5	9	19	6	-23
6. Inventory Valuation Adjustment	-34	-26	-16	19	-57	22
7. Government Surplus (+) or Deficit (-)	-228	58	-402	-237	-809	-423
8. Residual Error of Estimate	-86	-199	88	101	-96	-84
9. Totals	1,257	1,355	2,252	970	5,834	1,003

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 8. National Saving Account, by Quarters, 1960 and 1961
(millions of dollars)

DISPOSITION						
	1960					1961
	I	II	III	IV	Year	I
1. Business Gross Fixed Capital Formation	1,411	1,740	1,788	1,673	6,612	1,293
2. New Residential Construction	317	365	399	395	1,476	291
3. New Non-Residential Construction	478	620	787	682	2,567	439
4. New Machinery and Equipment	616	755	602	596	2,569	563
5. Value of Physical Change in Inventories	68	-112	670	-310	316	-33
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents	-308	-472	-119	-292	-1,191	-341
7. Residual Error of Estimate	86	199	-87	-101	97	84
8. Totals	1,257	1,355	2,252	970	5,834	1,003

TABLE 9. National Income and Gross National Product, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1960					1961
	I	II	III	IV	Year	I
1. Wages, Salaries and Supplementary Labour Income	18,340	18,396	18,600	18,720	18,514	18,752
2. Military Pay and Allowances	496	500	504	536	509	540
3. Corporation Profits before Taxes and before Dividends Paid to Non-Residents(1)	3,344	3,144	3,216	3,096	3,200	2,812
4. Deduct: Dividends Paid to Non-Residents(2)	-492	-476	-488	-404	-465	-744
5. Rent, Interest, and Miscellaneous Investment Income	2,376	2,304	2,364	2,404	2,362	2,452
6. Accrued Net Income of Farm Operators from Farm Production(3)	1,308	1,124	1,164	1,232	1,207	1,328
7. Net Income of Non-Farm Unincorporated Business(4)	2,140	2,160	2,060	2,060	2,105	2,000
8. Inventory Valuation Adjustment	-136	-104	-64	76	-57	88
9. NET NATIONAL INCOME AT FACTOR COST	27,376	27,048	27,356	27,720	27,375	27,228
10. Indirect Taxes less Subsidies	4,408	4,420	4,320	4,408	4,389	4,520
11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	4,288	4,260	4,268	4,348	4,291	4,260
12. Residual Error of Estimate	-68	-172	-104	-40	-96	4
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	36,004	35,556	35,840	36,436	35,959	36,012
14. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators)	(34,696)	(34,432)	(34,676)	(35,204)	(34,752)	(34,684)

- (1) In previous publications this item was shown after deductions of dividends paid to non-residents, it is now however inclusive of such dividends. In order to derive series consistent with past published figures, lines 3 and 4 must be combined.
- (2) Includes the withholding tax applicable to this item. Also includes some net profits of non-Canadian non-financial corporations. Since the withholding tax is also part of National Product, it is included again in Rent, Interest and Miscellaneous Investment Income.
- (3) Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.
- (4) Includes net income of independent professional practitioners.

TABLE 10. Gross National Expenditure, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1960					1961
	I	II	III	IV	Year	I
1. Personal Expenditure on Consumer Goods and Services	22,896	23,376	23,420	23,944	23,409	23,856
2. Government Expenditure on Goods and Services(1)	6,488	6,620	6,832	6,924	6,716	6,956
3. Business Gross Fixed Capital Formation(2)	6,916	6,384	6,500	6,648	6,612	6,408
4. New Residential Construction	1,640	1,396	1,444	1,424	1,476	1,512
5. New Non-Residential Construction	2,608	2,476	2,584	2,600	2,567	2,408
6. New Machinery and Equipment	2,668	2,512	2,472	2,624	2,569	2,488
7. Value of Physical Change in Inventories	752	424	-132	220	316	76
8. Non-Farm Business Inventories	648	336	-176	108	229	4
9. Farm Inventories and Grain in Commercial Channels(3)	104	88	44	112	87	72
10. Exports of Goods and Services	7,172	6,676	7,168	6,812	6,957	7,112
11. Deduct: Imports of Goods and Services	-8,292	-8,100	-8,052	-8,148	-8,148	-8,388
12. Residual Error of Estimate	72	176	104	36	97	-8
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	36,004	35,556	35,840	36,436	35,959	36,012

(1) See footnote 1, Table 2.

(2) See footnote 3, Table 2.

(3) Detail of Farm Inventories and GICC:

	1960					1961
	I	II	III	IV	Year	I
Value of grain crop production	1,016	1,016	1,016	1,020	1,017	984
Depletions of farm stocks of grain	-908	-1,016	-1,168	-964	-1,014	-1,028
Change in livestock inventories	92	-92	16	40	14	80
Grain in Commercial Channels	-96	180	180	16	70	36

In the seasonally adjusted series, the value of grain crop production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 3, Table 9). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 11. Sources of Personal Income, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates

(millions of dollars)

	1960					1961
	I	II	III	IV	Year	I
1. Wages, Salaries, and Supplementary Labour Income	18,340	18,396	18,600	18,720	18,514	18,752
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds	-728	-732	-748	-748	-739	-728
3. Military Pay and Allowances	496	500	504	536	509	540
4. Net Income Received by Farm Operators from Farm Production(1)	1,296	1,100	1,180	1,228	1,201	1,340
5. Net Income of Non-Farm Unincorporated Business	2,140	2,160	2,060	2,060	2,105	2,000
6. Interest, Dividends, and Net Rental Income of Persons(2) ...	2,692	2,644	2,680	2,768	2,696	2,732
Transfer Payments to Persons:						
7. From Government (excluding interest)	2,920	3,056	3,208	3,280	3,116	3,260
8. Charitable Contributions by Corporations	40	40	40	40	40	36
9. PERSONAL INCOME	27,196	27,164	27,524	27,884	27,442	27,932

(1) This item differs from line 6, Table 9 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 12. Disposition of Personal Income, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates

(millions of dollars)

	1960					1961
	I	II	III	IV	Year	I
1. Personal Direct Taxes	2,240	2,476	2,336	2,380	2,358	2,296
2. Income Taxes	1,820	2,104	1,992	1,992	1,977	1,912
3. Succession Duties	196	156	128	152	158	156
4. Miscellaneous	224	216	216	236	223	228
5. Personal Expenditure on Consumer Goods and Services	22,896	23,376	23,420	23,944	23,409	23,856
6. Non-Durable Goods	11,516	11,824	11,848	11,944	11,783	12,008
7. Durable Goods	2,664	2,652	2,564	2,868	2,687	2,592
8. Services(1)	8,716	8,900	9,008	9,132	8,939	9,256
9. Personal Net Saving	2,060	1,312	1,768	1,560	1,675	1,780
10. PERSONAL INCOME	27,196	27,164	27,524	27,884	27,442	27,932
11. (Personal Disposable Income)(2)	(24,956)	(24,688)	(25,188)	(25,504)	(25,084)	(25,636)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 13. Government Revenue and Expenditure, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates

(millions of dollars)

REVENUE

	1960					1961
	I	II	III	IV	Year	I
1. Direct Taxes - Persons	2,240	2,476	2,336	2,380	2,358	2,296
2. Federal	1,892	2,132	2,016	2,024	2,016	1,936
3. Provincial and Municipal	348	344	320	356	342	360
4. Direct Taxes - Corporations	1,524	1,436	1,408	1,428	1,449	1,344
5. Federal	1,232	1,148	1,124	1,136	1,160	1,084
6. (Federal Tax Collections)	(1,276)	(1,520)	(1,424)	(1,312)	(1,383)	(1,260)
7. Provincial	292	288	284	292	289	260
Withholding Taxes:						
8. Federal	76	80	76	76	77	112
9. Indirect Taxes	4,628	4,644	4,564	4,656	4,623	4,732
10. Federal	2,192	2,204	2,132	2,196	2,181	2,176
11. Provincial and Municipal(1)	2,436	2,440	2,432	2,460	2,442	2,556
12. Investment Income	1,072	1,040	1,040	1,088	1,060	1,084
13. Federal	368	348	332	368	354	364
14. Provincial and Municipal	704	692	708	720	706	720
15. Employer and Employee Contributions to Social Insurance and Government Pension Funds	728	732	748	748	739	728
16. Federal	488	488	496	496	492	480
17. Provincial and Municipal	240	244	252	252	247	248
Transfers from Federal:						
18. Provincial and Municipal	960	996	972	1,036	991	992
19. Total Revenue	11,228	11,404	11,144	11,412	11,297	11,288
20. Federal	6,248	6,400	6,176	6,296	6,280	6,152
21. Provincial and Municipal	4,980	5,004	4,968	5,116	5,017	5,136

(1) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward, this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 14. Government Revenue and Expenditure, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates

(millions of dollars)

EXPENDITURE

	1960					1961
	I	II	III	IV	Year	I
1. Goods and Services	6,488	6,620	6,832	6,924	6,716	6,956
2. Federal	2,700	2,676	2,800	2,780	2,739	2,816
3. (Defence)	(1,528)	(1,548)	(1,592)	(1,576)	(1,561)	(1,544)
4. Provincial and Municipal	3,788	3,944	4,032	4,144	3,977	4,140
5. Transfer Payments to Persons (excluding Interest on the Public Debt)	2,920	3,056	3,208	3,280	3,116	3,260
6. Federal	1,896	1,896	2,060	2,080	1,983	1,964
7. Provincial and Municipal	1,024	1,160	1,148	1,200	1,133	1,296
8. Interest on the Public Debt	1,064	1,032	1,004	1,096	1,049	1,048
9. Federal	764	752	708	800	756	724
10. Provincial and Municipal	300	280	296	296	293	324
11. Subsidies	220	224	244	248	234	212
12. Federal	208	212	232	236	222	200
13. Provincial	12	12	12	12	12	12
Transfers to Other Levels of Government:						
14. Federal	960	996	972	1,036	991	992
15. Total Expenditure	11,652	11,928	12,260	12,584	12,106	12,468
16. Federal	6,528	6,532	6,772	6,932	6,691	6,696
17. Provincial and Municipal	5,124	5,396	5,488	5,652	5,415	5,772
18. Deficit (-) or Surplus (+)	-424	-524	-1,116	-1,172	-809	-1,180
19. Federal	-280	-132	-596	-636	-411	-544
20. Provincial and Municipal	-144	-392	-520	-536	-398	-636
21. Total Expenditure Minus Deficit or Plus Surplus	11,228	11,404	11,144	11,412	11,297	11,288
22. Federal	6,248	6,400	6,176	6,296	6,280	6,152
23. Provincial and Municipal	4,980	5,004	4,968	5,116	5,017	5,136

TABLE 15. National Saving Account, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

SOURCE

	1960					1961
	I	II	III	IV	Year	I
1. Personal Net Saving	2,060	1,312	1,768	1,560	1,675	1,780
2. Business Gross Saving	5,188	5,048	5,104	5,144	5,121	4,508
3. Undistributed Corporation Profits	888	764	852	792	824	260
4. Capital Consumption Allowances, etc.	4,288	4,260	4,268	4,348	4,291	4,260
5. Adjustment on Grain Transactions ⁽¹⁾	12	24	-16	4	6	-12
6. Inventory Valuation Adjustment	-136	-104	-64	76	-57	88
7. Government Surplus (+) or Deficit (-)	-424	-524	-1,116	-1,172	-809	-1,180
8. Residual Error of Estimate	-68	-172	-104	-40	-96	4
9. Totals	6,620	5,560	5,588	5,568	5,834	5,200

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 16. National Saving Account, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

DISPOSITION

	1960					1961
	I	II	III	IV	Year	I
1. Business Gross Fixed Capital Formation	6,916	6,384	6,500	6,648	6,612	6,408
2. New Residential Construction	1,640	1,396	1,444	1,424	1,476	1,512
3. New Non-Residential Construction	2,608	2,476	2,584	2,600	2,567	2,408
4. New Machinery and Equipment	2,668	2,512	2,472	2,624	2,569	2,488
5. Value of Physical Change in Inventories	752	424	-132	220	316	76
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents	-1,120	-1,424	-884	-1,336	-1,191	-1,276
7. Residual Error of Estimate	72	176	104	36	97	-8
8. Totals	6,620	5,560	5,588	5,568	5,834	5,200

STATISTICAL APPENDIX

Gross National Expenditure in
Constant (1957) Dollars,
by quarters, 1947-1961.

GROSS NATIONAL EXPENDITURE

Seasonally Adjusted at Annual Rates

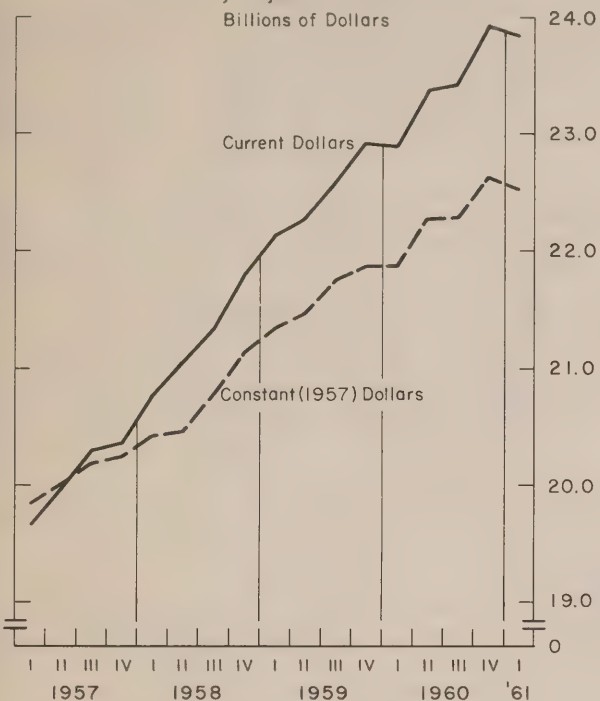
Billions of Dollars



PERSONAL EXPENDITURE ON CONSUMER GOODS AND SERVICES

Seasonally Adjusted at Annual Rates

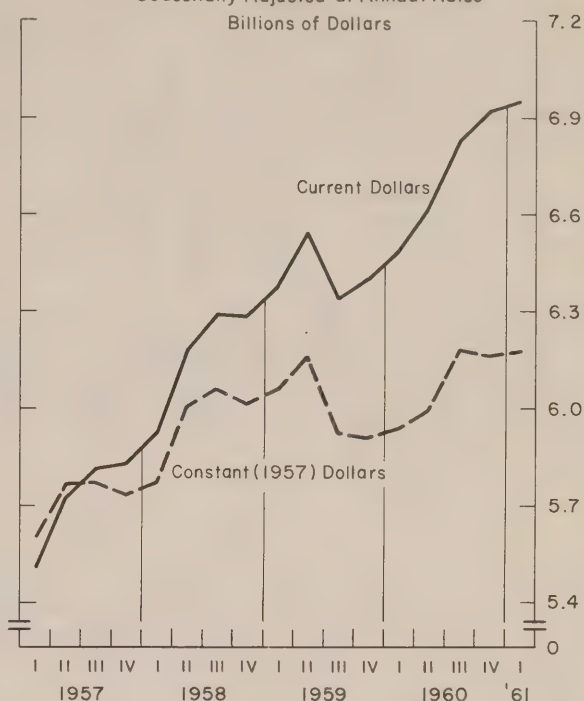
Billions of Dollars



GOVERNMENT EXPENDITURE ON GOODS AND SERVICES

Seasonally Adjusted at Annual Rates

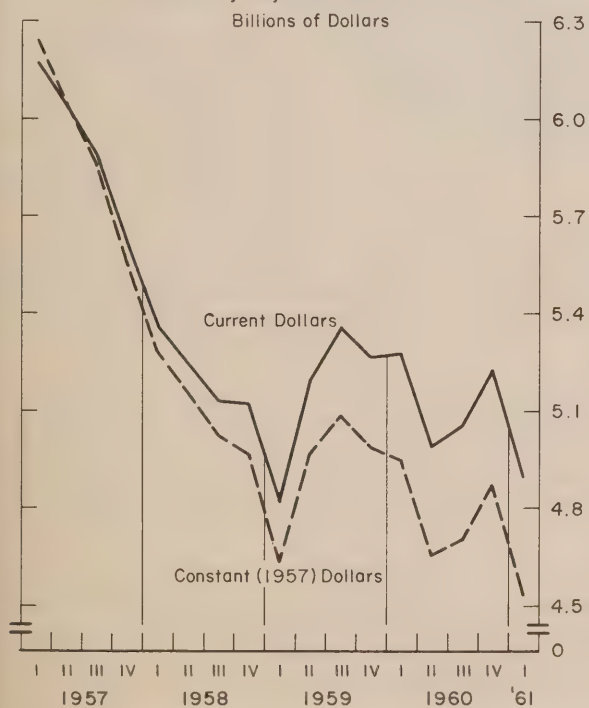
Billions of Dollars



NEW NON-RESIDENTIAL CONSTRUCTION PLUS MACHINERY AND EQUIPMENT

Seasonally Adjusted at Annual Rates

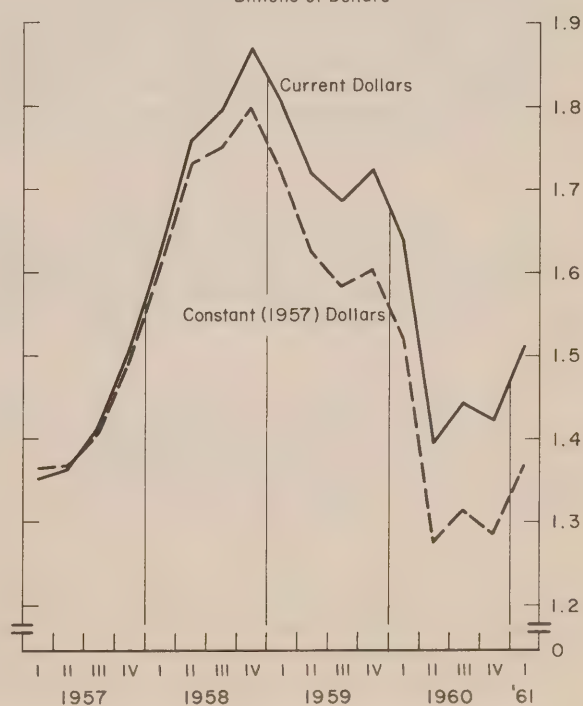
Billions of Dollars



NEW RESIDENTIAL CONSTRUCTION

Seasonally Adjusted at Annual Rates

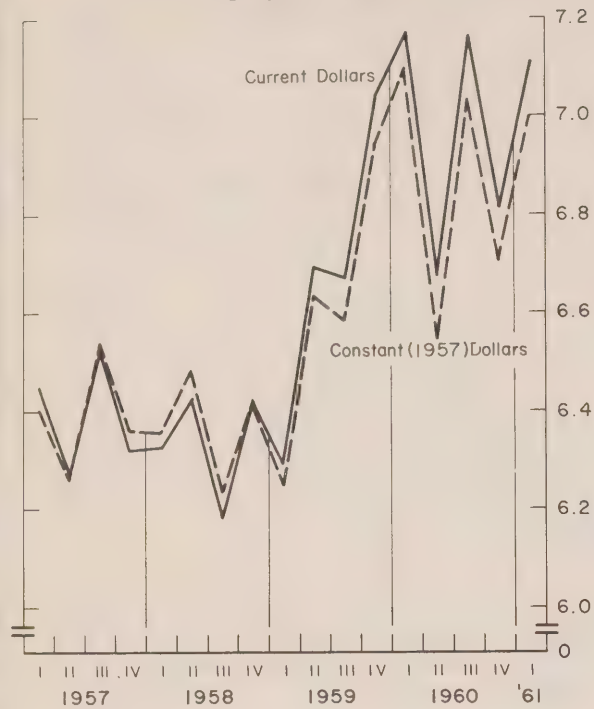
Billions of Dollars



EXPORTS OF GOODS AND SERVICES

Seasonally Adjusted at Annual Rates

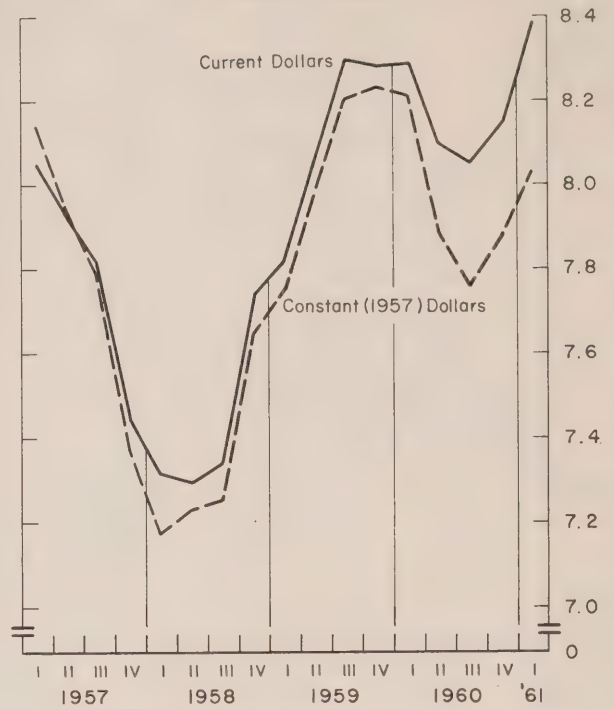
Billions of Dollars



IMPORTS OF GOODS AND SERVICES

Seasonally Adjusted at Annual Rates

Billions of Dollars



INTRODUCTION

With this Appendix, seasonally adjusted quarterly constant dollar estimates of Gross National Expenditure and its major components are published for the first time. Heretofore, the constant dollar estimates were available only on an unadjusted basis, with the year 1949 as the base period. The present set of data presents the series in seasonally adjusted form, and in addition, on a new base year, 1957 = 100. The complete post-war record for both unadjusted and seasonally adjusted data is published here. In future National Accounts' reports, both series will appear on a regular basis.

Changes in the value of Gross National Expenditure arise from changes both in quantities and in prices. The constant dollar estimates are designed to remove the effect of price changes from the value data and thus to facilitate an understanding of movements in real production and changes in the direction and rate of growth of real consumption and investment.

Since both the deflation and seasonal adjustment processes are attempts to derive basic underlying movements from actually collected statistical data by means of mathematical techniques, quarter-to-quarter changes in the constant dollar series are subject to a margin of error greater than in the current dollar series. This point should be borne in mind in interpreting the data, and little significance should be attached to small changes in either the constant dollar series or in the implicit price indexes.

Uses of Seasonally Adjusted Constant Dollar Estimates

The seasonally adjusted constant dollar series are useful in providing an assessment of the pace and focal points of changes in real production and in prices. For example, from the cyclical trough in the second quarter of 1954, to the peak in the fourth quarter of 1956, the change in the value of Gross National Expenditure was 29 per cent. In terms of the constant dollar accounts, however, the change was only 21 per cent. In this same period, the most significant price increases (aside from government expenditure on goods and services), were in capital goods which increased in price by 10 per cent. Thus, at times of significant price and value changes, the constant dollar accounts provide an essential tool for evaluating real changes in production, and in assessing these changes in terms of the major demand components.

For any published component of Gross National Expenditure, as well as for total Gross National Expenditure, the current dollar series divided by the corresponding constant dollar series will yield an implicit price index that is currently weighted. Such price indexes may be derived both for the unadjusted and for the seasonally adjusted data. Quarter-to-quarter changes in these indexes reflect not only pure price change, but also changing expenditure patterns within and between groups. For the unadjusted data, these changes in expenditure patterns are significant because of seasonal variation. The implicit price indexes based on the unadjusted data, therefore, should not be used for price analysis. In the case of the seasonally adjusted data, however, only small changes in expenditure patterns occur and the implicit price indexes usually provide a reasonable measure of price change. The data are more accurate for the period that has been re-based, i.e., from 1956 to date.

Method of Seasonal Adjustment

A seasonally adjusted constant dollar series may be obtained by either of two methods. The first, known as the direct method, involves the seasonal adjustment of the constant dollar data themselves. The second, known as the indirect method, involves the deflation of seasonally adjusted current dollars with price indexes which have also been adjusted for seasonality. Both approaches have been used in deriving the published estimates.

A problem inherent in the indirect method of seasonally adjusting the constant dollar data is the difficulty of seasonally adjusting price indexes. The irregular component of price indexes is generally large in relation to the size of the usually small seasonal component; the latter is, therefore, at times hard to identify. On the other hand, the direct method of seasonal adjustment requires that differences in judgement do not occur in the estimation of the seasonal component as between the current and constant dollar series.

Both approaches were tested for major components of Gross National Expenditure. The tests showed that the differences in the resulting constant dollar series were usually small, so that in practice either the direct or the indirect approach could be used. Since most of the current dollar series in the period 1947 to 1956 inclusive, had been seasonally adjusted by the electronic computer, the constant dollar series were also adjusted by the computer, in order to ensure consistency of treatment.

For the most part, the current dollar series from 1957 to date had not been adjusted on the electronic computer program, but were carried forward by manual techniques. In order to ensure that no inconsistencies developed in the derivation of seasonal patterns as between the current dollar and the constant dollar series, the indirect method of seasonal adjustment was employed; that is, the seasonally adjusted current dollar series were divided by a set of seasonally adjusted price indexes. Thus, the constant dollar data for both time segments -- 1947 to 1956, and 1957 to date -- were seasonally adjusted by the method best calculated to ensure consistency as between the current and constant dollar estimates.

Re-Basing

The 1949 constant dollar series, as formerly published, valued Gross National Expenditure and its components in average, annual 1949 prices. It was decided that prices of a recent year would be more appropriate for valuing production, currently. For this reason, the component series of Gross National Expenditure from 1956 forward were re-valued with the average annual prices prevailing in the year 1957. The Consumer Price Index of the Dominion Bureau of Statistics has recently been revised to incorporate weights based on the 1957 Family Expenditure Survey. Since approximately two-thirds of Gross National Expenditure is deflated with price indexes from the Consumer Price Index, 1957 seemed practical as the choice for a new base year.

The period from 1947 to 1955 inclusive, remains on a 1949 weight base, although it is expressed in 1957 dollars. This means that for the years 1947 to 1955, there will be no change in year-to-year movements between the 1957 dollar series, and the 1949 dollar series heretofore published. Each of the major components, as well as total Gross National Expenditure has been arithmetically converted from 1949 dollars to 1957 dollars. The conversion factors are based on price relations in the year of overlap, 1956. As a result of this conversion process, the components will no longer sum to the aggregates. Adjusting entries, reflecting the difference between the sum of the components and the aggregates appear in both the unadjusted and the seasonally adjusted data for the period 1947 to 1955. No statistical significance should be attached to these adjusting entries.

For a more detailed discussion of the concepts and methods underlying the construction of constant dollar data, the reader is referred to the National Accounts, Income and Expenditure, 1926-1956, Section "E".

TABLE 17. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1947-61,
Unadjusted for Seasonality(1)

(millions of dollars)

	1947(2)					1948(2)				
	I	II	III	IV	Year	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services	3,078	3,318	3,255	3,658	13,309	2,990	3,223	3,160	3,674	13,047
2. Non-Durable Goods	1,674	1,843	1,872	2,066	7,455	1,596	1,768	1,792	2,027	7,183
3. Durable Goods	236	277	274	339	1,126	218	259	253	362	1,092
4. Services ..	1,185	1,199	1,091	1,235	4,710	1,209	1,211	1,112	1,275	4,807
5. Adjusting Entry	-17	-1	18	18	18	-33	-15	3	10	-35
6. Government Expenditure on Goods and Services	850	570	678	664	2,762	779	572	742	746	2,839
7. Business Gross Fixed Capital Formation .	700	942	951	983	3,576	810	1,054	1,021	1,071	3,956
8. New Residential Construction	141	246	240	234	861	120	251	274	256	901
9. New Non-Residential Construction	198	242	289	299	1,028	253	288	349	358	1,248
10. New Machinery and Equipment	360	452	420	447	1,679	435	511	396	456	1,798
11. Adjusting Entry	1	2	2	3	8	2	4	2	1	9
12. Change in Inventories	-137	62	755	-189	491	-311	-164	941	-370	96
13. Non-Farm Business Inventories	192	191	85	176	644	28	-47	68	37	86
14. Farm Inventories and Grain in Commercial Channels	-234	-82	516	-262	-62	-255	-93	668	-306	14
15. Adjusting Entry	-95	-47	154	-103	-91	-84	-24	205	-101	-4
16. Exports of Goods and Services	1,092	1,259	1,305	1,256	4,912	1,093	1,207	1,344	1,331	4,975
17. Deduct: Imports of Goods and Services ..	-1,162	-1,339	-1,241	-1,225	-4,967	-951	-1,208	-1,114	-1,185	-4,458
18. Residual Error of Estimate	7	84	50	-98	43	31	146	29	-82	124
19. Adjusting Entry	-2	70	209	36	313	-18	17	247	-4	242
20. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	4,426	4,966	5,962	5,085	20,439	4,423	4,847	6,370	5,181	20,821
	1949(2)					1950(2)				
	I	II	III	IV	Year	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services	2,989	3,450	3,382	3,816	13,637	3,266	3,646	3,613	4,017	14,542
2. Non-Durable Goods ..	1,525	1,806	1,830	2,058	7,219	1,636	1,875	1,896	2,142	7,549
3. Durable Goods	236	347	327	403	1,313	336	419	429	457	1,641
4. Services ..	1,274	1,314	1,230	1,351	5,169	1,327	1,364	1,285	1,413	5,389
5. Adjusting Entry	-46	-17	-5	4	-64	-33	-12	3	5	-37
6. Government Expenditure on Goods and Services	772	652	888	863	3,175	887	677	887	898	3,349
7. Business Gross Fixed Capital Formation .	958	1,167	1,133	1,092	4,350	966	1,208	1,219	1,150	4,543
8. New Residential Construction	213	311	312	285	1,121	217	309	339	311	1,176
9. New Non-Residential Construction	278	319	380	374	1,351	297	351	411	390	1,449
10. New Machinery and Equipment	463	532	439	430	1,864	449	543	466	447	1,905
11. Adjusting Entry	4	5	2	3	14	3	5	3	2	13
12. Change in Inventories	-118	-116	732	-444	54	-155	-51	909	-87	616
13. Non-Farm Business Inventories	180	35	38	-67	186	124	119	-22	272	493
14. Farm Inventories and Grain in Commercial Channels	-210	-112	530	-292	-84	-201	-118	705	-249	137
15. Adjusting Entry	-88	-39	164	-85	-48	-78	-52	226	-110	-14
16. Exports of Goods and Services	1,028	1,212	1,261	1,269	4,770	995	1,204	1,261	1,283	4,743
17. Deduct: Imports of Goods and Services ..	-1,020	-1,309	-1,137	-1,115	-4,581	-1,019	-1,291	-1,256	-1,437	-5,003
18. Residual Error of Estimate	23	81	-11	-34	59	-4	5	150	-64	87
19. Adjusting Entry	-5	11	181	-25	162	-15	27	208	17	237
20. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	4,627	5,148	6,429	5,422	21,626	4,921	5,425	6,991	5,777	23,114

See footnotes at end of table.

TABLE 17. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1947-61,
Unadjusted for Seasonality(1) - Continued

(millions of dollars)

	1951(2)					1952(2)				
	I	II	III	IV	Year	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services	3,481	3,720	3,563	3,995	14,759	3,493	3,973	3,882	4,427	15,775
2. Non-Durable Goods ..	1,661	1,907	1,914	2,174	7,656	1,717	1,977	2,018	2,347	8,059
3. Durable Goods	421	395	313	357	1,486	328	484	427	510	1,749
4. Services ..	1,442	1,442	1,355	1,475	5,714	1,508	1,540	1,451	1,567	6,066
5. Adjusting Entry	-43	-24	-19	-11	-97	-60	-28	-14	3	-99
6. Government Expenditure on Goods and Services	990	851	1,193	1,154	4,188	1,266	1,234	1,394	1,356	5,250
7. Business Gross Fixed Capital Formation ..	1,052	1,271	1,235	1,178	4,736	1,031	1,392	1,388	1,335	5,146
8. New Residential Construction	230	292	265	239	1,026	168	264	295	313	1,040
9. New Non-Residential Construction	315	373	448	442	1,578	346	448	528	490	1,812
10. New Machinery and Equipment	504	601	521	497	2,123	514	677	564	531	2,286
11. Adjusting Entry	3	5	1	-	9	3	3	1	1	8
12. Change in Inventories	5	249	1,348	-670	932	-252	-177	1,549	-583	537
13. Non-Farm Business Inventories	280	393	149	-211	611	12	90	62	-64	100
14. Farm Inventories and Grain in Commercial Channels	-184	-75	924	-367	298	-199	-195	1,135	-400	341
15. Adjusting Entry	-91	-69	275	-92	23	-65	-72	352	-119	96
16. Exports of Goods and Services	1,083	1,241	1,429	1,440	5,193	1,232	1,448	1,499	1,572	5,751
17. Deduct: Imports of Goods and Services ..	-1,270	-1,521	-1,466	-1,311	-5,568	-1,250	-1,471	-1,484	-1,601	-5,806
18. Residual Error of Estimate	24	64	28	-11	105	16	-146	-67	-25	-222
19. Adjusting Entry	-9	46	254	-105	186	-62	-41	292	-106	83
20. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	5,356	5,921	7,584	5,670	24,531	5,474	6,212	8,453	6,375	26,514
	1953(2)					1954(2)				
	I	II	III	IV	Year	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services	3,830	4,216	4,045	4,567	16,658	3,842	4,273	4,195	4,734	17,044
2. Non-Durable Goods ..	1,849	2,088	2,085	2,413	8,435	1,854	2,113	2,167	2,516	8,650
3. Durable Goods	450	550	463	526	1,989	441	539	473	523	1,976
4. Services ..	1,577	1,597	1,509	1,623	6,306	1,597	1,647	1,570	1,695	6,509
5. Adjusting Entry	-46	-19	-12	5	-72	-50	-26	-15	-	-91
6. Government Expenditure on Goods and Services	1,317	1,190	1,436	1,308	5,251	1,220	1,167	1,408	1,303	5,098
7. Business Gross Fixed Capital Formation ..	1,192	1,510	1,533	1,393	5,628	1,138	1,445	1,415	1,342	5,340
8. New Residential Construction	232	328	362	356	1,278	239	326	381	389	1,335
9. New Non-Residential Construction	368	454	580	514	1,916	382	449	549	487	1,867
10. New Machinery and Equipment	589	725	590	522	2,426	515	665	485	465	2,130
11. Adjusting Entry	3	3	1	1	8	2	5	-	1	8
12. Change in Inventories	-187	-79	1,414	-500	648	-156	-131	621	-571	-237
13. Non-Farm Business Inventories	124	226	102	-56	396	155	19	-53	-168	-47
14. Farm Inventories and Grain in Commercial Channels	-225	-213	1,005	-342	225	-223	-112	507	-320	-148
15. Adjusting Entry	-86	-92	307	-102	27	-88	-38	167	-83	-42
16. Exports of Goods and Services	1,201	1,474	1,565	1,462	5,702	1,163	1,349	1,483	1,481	5,476
17. Deduct: Imports of Goods and Services ..	-1,442	-1,709	-1,599	-1,513	-6,263	-1,355	-1,573	-1,471	-1,562	-5,961
18. Residual Error of Estimate	60	-3	-89	-124	-156	85	-3	-26	-41	15
19. Adjusting Entry	-76	-35	253	-85	57	-50	-36	114	-89	-61
20. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	5,895	6,564	8,558	6,508	27,525	5,887	6,491	7,739	6,597	26,714

See footnotes at end of table.

TABLE 17. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1947-61,
Unadjusted for Seasonality(1) - Continued

(millions of dollars)

	1955(2)(4)					1956(4)				
	I	II	III	IV	Year	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services	4,065	4,627	4,514	5,098	18,304	4,460	4,896	4,787	5,335	19,478
2. Non-Durable Goods(3)	2,064	2,294	2,311	2,735	9,404	2,249	2,390	2,453	2,904	9,996
3. Durable Goods	439	677	605	647	2,368	505	751	630	645	2,531
4. Services(3)	1,599	1,657	1,595	1,686	6,537	1,706	1,755	1,704	1,786	6,951
5. Adjusting Entry	-37	-1	3	30	-5					
6. Government Expenditure on Goods and Services	1,357	1,184	1,450	1,328	5,319	1,329	1,255	1,610	1,470	5,664
7. Business Gross Fixed Capital Formation ..	1,081	1,489	1,603	1,509	5,682	1,331	1,891	1,976	1,816	7,014
8. New Residential Construction	256	376	424	412	1,468	303	426	439	399	1,567
9. New Non-Residential Construction	373	477	609	545	2,004	443	645	830	748	2,666
10. New Machinery and Equipment	452	633	570	549	2,204	585	820	707	669	2,781
11. Adjusting Entry	-	3	-	3	6					
12. Change in Inventories	-194	-108	1,145	-382	461	213	-	929	-56	1,086
13. Non-Farm Business Inventories	182	-41	-4	28	165	463	140	14	195	812
14. Farm Inventories and Grain in Commercial Channels	-270	-54	872	-310	238	-250	-140	915	-251	274
15. Adjusting Entry	-106	-13	277	-100	58					
16. Exports of Goods and Services	1,278	1,471	1,607	1,538	5,894	1,357	1,621	1,720	1,635	6,333
17. Deduct: Imports of Goods and Services ..	-1,496	-1,709	-1,776	-1,844	-6,825	-1,749	-2,126	-2,004	-2,042	-7,921
18. Residual Error of Estimate	37	67	39	-27	116	-15	100	-39	-192	-146
19. Adjusting Entry	-53	-16	203	-67	67					
20. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	6,075	7,005	8,785	7,153	29,018	6,926	7,637	8,979	7,966	31,508
1957						1958				
	I	II	III	IV	Year	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services	4,629	5,023	4,959	5,461	20,072	4,786	5,122	5,094	5,700	20,702
2. Non-Durable Goods(3)	2,333	2,503	2,555	3,011	10,402	2,422	2,531	2,592	3,087	10,632
3. Durable Goods	518	677	609	626	2,430	532	681	598	655	2,466
4. Services(3)	1,778	1,843	1,795	1,824	7,240	1,832	1,910	1,904	1,958	7,604
5. Government Expenditure on Goods and Services	1,309	1,343	1,623	1,447	5,722	1,329	1,394	1,717	1,524	5,964
6. Business Gross Fixed Capital Formation ..	1,555	1,998	1,999	1,783	7,335	1,385	1,850	1,878	1,714	6,827
7. New Residential Construction	251	359	391	408	1,409	298	449	481	494	1,722
8. New Non-Residential Construction	582	776	946	799	3,103	526	709	842	690	2,767
9. New Machinery and Equipment	722	863	662	576	2,823	561	692	555	530	2,338
10. Change in Inventories	114	-29	546	-400	231	-277	-252	546	-341	-324
11. Non-Farm Business Inventories	366	29	-9	-81	305	-1	-123	-72	-10	-206
12. Farm Inventories and Grain in Commercial Channels	-252	-58	555	-319	-74	-276	-129	618	-331	-118
13. Exports of Goods and Services	1,399	1,574	1,771	1,647	6,391	1,393	1,634	1,672	1,673	6,372
14. Deduct: Imports of Goods and Services ..	-1,852	-2,130	-1,973	-1,858	-7,813	-1,625	-1,923	-1,838	-1,942	-7,328
15. Residual Error of Estimate	84	88	-72	-129	-29	115	30	-122	-126	-103
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	7,238	7,867	8,853	7,951	31,909	7,106	7,855	8,947	8,202	32,110

See footnotes at end of table.

TABLE 17. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1947-61,
Unadjusted for Seasonality(1) - Concluded

(millions of dollars)

	1959					1960					1961
	I	II	III	IV	Year	I	II	III	IV	Year	I
1. Personal Expenditure on Consumer Goods and Services	5,012	5,381	5,321	5,903	21,617	5,140	5,578	5,471	6,084	22,273	5,265
2. Non-Durable Goods(3)	2,498	2,625	2,704	3,200	11,027	2,572	2,750	2,827	3,267	11,416	2,639
3. Durable Goods	567	745	618	669	2,599	560	737	596	726	2,619	550
4. Services(3)	1,947	2,011	1,999	2,034	7,991	2,008	2,091	2,048	2,091	8,238	2,076
5. Government Expenditure on Goods and Services	1,389	1,432	1,686	1,506	6,013	1,358	1,381	1,788	1,545	6,072	1,413
6. Business Gross Fixed Capital Formation	1,273	1,784	1,829	1,664	6,550	1,318	1,616	1,660	1,552	6,146	1,188
7. New Residential Construction ...	329	424	436	444	1,633	295	334	362	359	1,350	265
8. New Non-Residential Construction	434	624	758	657	2,473	446	579	735	637	2,397	405
9. New Machinery and Equipment	510	736	635	563	2,444	577	703	563	556	2,399	518
10. Change in Inventories	-10	-148	726	-294	274	69	-124	655	-288	312	-16
11. Non-Farm Business Inventories ..	270	-25	46	45	336	340	-27	-112	19	220	219
12. Farm Inventories and Grain in Commercial Channels	-280	-123	680	-339	-62	-271	-97	767	-307	92	-235
13. Exports of Goods and Services	1,335	1,708	1,758	1,802	6,603	1,571	1,657	1,879	1,740	6,847	1,536
14. Deduct: Imports of Goods and Services	-1,729	-2,151	-2,075	-2,088	-8,043	-1,861	-2,102	-1,975	-1,996	-7,934	-1,813
15. Residual Error of Estimate	106	155	-14	-50	197	81	186	-82	-94	91	78
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	7,376	8,161	9,231	8,443	33,211	7,676	8,192	9,396	8,543	33,807	7,651

- (1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, which can be derived by dividing the value figures in Table 2 by the constant dollar figures in Table 17, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.
- (2) For an explanation of the adjusting entries, see the technical note.
- (3) Beginning with the year 1955, the classification of the items electricity and gas was changed from services to non-durable goods. The following gives the data from 1955 to date.

Gas and Electricity, in Millions of Constant (1957) Dollars, by Quarters, 1955-61
Seasonally Unadjusted at Annual Rates

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1955	73	63	53	65	255
1956	81	73	60	72	286
1957	92	79	64	82	317
1958	104	86	69	90	349
1959	118	98	74	105	395
1960	133	107	83	107	430
1961	137				

- (4) Annual comparisons between the years 1955 and 1956 are quite valid, but comparisons made on a year-over-year, quarterly basis should not be made with the seasonally unadjusted data, because the linking process introduces some distortions into these data.

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1947-61(1)
Seasonally Adjusted at Annual Rates

(millions of dollars)

	1947(2)					1948(2)				
	I	II	III	IV	Year	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services	13,356	13,308	13,384	13,188	13,309	13,048	12,904	12,996	13,240	13,047
2. Non-Durable Goods	7,492	7,480	7,504	7,344	7,455	7,244	7,140	7,160	7,188	7,183
3. Durable Goods	1,160	1,108	1,140	1,096	1,126	1,072	1,040	1,072	1,184	1,092
4. Services	4,672	4,704	4,720	4,744	4,710	4,752	4,760	4,808	4,908	4,807
5. Adjusting Entry	32	16	20	4	18	-20	-36	-44	-40	-35
6. Government Expenditure on Goods and Services	2,996	2,796	2,628	2,628	2,762	2,808	2,804	2,836	2,908	2,839
7. Business Gross Fixed Capital Formation .	3,208	3,492	3,712	3,892	3,576	3,672	3,940	3,960	4,252	3,956
8. New Residential Construction	768	868	864	944	861	664	916	992	1,032	901
9. New Non-Residential Construction	932	1,020	1,056	1,104	1,028	1,192	1,216	1,264	1,320	1,248
10. New Machinery and Equipment	1,504	1,592	1,784	1,836	1,679	1,812	1,800	1,692	1,888	1,798
11. Adjusting Entry	4	12	8	8	8	4	8	12	12	9
12. Change in Inventories	264	924	284	492	491	-248	140	428	64	96
13. Non-Farm Business Inventories	436	1,092	388	660	644	-220	-48	364	248	86
14. Farm Inventories and Grain in Commercial Channels	-96	-36	-44	-72	-62	-44	140	76	-116	14
15. Adjusting Entry	-76	-132	-60	-96	-91	16	48	-12	-68	-4
16. Exports of Goods and Services	4,968	5,008	4,868	4,804	4,912	4,988	4,876	5,000	5,036	4,975
17. Deduct: Imports of Goods and Services .	-5,420	-4,888	-4,880	-4,680	-4,967	-4,428	-4,396	-4,440	-4,568	-4,458
18. Residual Error of Estimate	308	-160	140	-116	43	320	252	-108	32	124
19. Adjusting Entry	216	428	288	320	313	204	244	308	212	242
20. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	19,896	20,908	20,424	20,528	20,439	20,364	20,764	20,980	21,176	20,821
	1949(2)					1950(2)				
	I	II	III	IV	Year	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services	13,040	13,764	13,832	13,912	13,637	14,332	14,360	14,704	14,772	14,542
2. Non-Durable Goods	6,940	7,296	7,300	7,340	7,219	7,596	7,460	7,528	7,612	7,549
3. Durable Goods	1,136	1,360	1,368	1,388	1,313	1,520	1,576	1,768	1,700	1,641
4. Services	5,052	5,160	5,228	5,236	5,169	5,236	5,372	5,444	5,504	5,389
5. Adjusting Entry	-88	-52	-64	-52	-64	-20	-48	-36	-44	-37
6. Government Expenditure on Goods and Services	2,836	3,164	3,356	3,344	3,175	3,296	3,296	3,332	3,472	3,349
7. Business Gross Fixed Capital Formation .	4,372	4,332	4,332	4,364	4,350	4,436	4,484	4,628	4,624	4,543
8. New Residential Construction	1,128	1,120	1,112	1,124	1,121	1,152	1,136	1,208	1,208	1,176
9. New Non-Residential Construction	1,324	1,332	1,356	1,392	1,351	1,416	1,456	1,468	1,456	1,449
10. New Machinery and Equipment	1,904	1,868	1,852	1,832	1,864	1,852	1,884	1,940	1,944	1,905
11. Adjusting Entry	16	12	12	16	14	16	8	12	16	13
12. Change in Inventories	304	-48	252	-292	54	396	352	240	1,476	616
13. Non-Farm Business Inventories	396	140	296	-88	186	184	320	104	1,364	493
14. Farm Inventories and Grain in Commercial Channels	-36	-128	-12	-160	-84	176	52	112	208	137
15. Adjusting Entry	-56	-60	-32	-44	-48	36	-20	24	-96	-14
16. Exports of Goods and Services	4,740	4,848	4,712	4,780	4,770	4,588	4,788	4,700	4,896	4,743
17. Deduct: Imports of Goods and Services .	-4,664	-4,812	-4,544	-4,304	-4,581	-4,660	-4,792	-5,000	-5,560	-5,003
18. Residual Error of Estimate	160	112	-180	144	59	-12	-96	564	-108	87
19. Adjusting Entry	192	136	196	124	162	216	208	156	368	237
20. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	20,980	21,496	21,956	22,072	21,626	22,592	22,600	23,324	23,940	23,114

See footnotes at the end of table.

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1947-61(1)
Seasonally Adjusted at Annual Rates - Continued

(millions of dollars)

	1951(2)					1952(2)				
	I	II	III	IV	Year	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services	15,072	14,740	14,544	14,680	14,759	15,100	15,724	15,908	16,368	15,775
2. Non-Durable Goods	7,584	7,684	7,624	7,732	7,656	7,768	8,004	8,152	8,312	8,059
3. Durable Goods	1,852	1,472	1,328	1,292	1,486	1,472	1,768	1,784	1,972	1,749
4. Services	5,716	5,668	5,700	5,772	5,714	6,000	6,048	6,060	6,156	6,066
5. Adjusting Entry	-80	-84	-108	-116	-97	-140	-96	-88	-72	-99
6. Government Expenditure on Goods and Services	3,676	4,080	4,496	4,500	4,188	4,936	5,364	5,152	5,548	5,250
7. Business Gross Fixed Capital Formation .	4,836	4,708	4,664	4,736	4,736	4,784	5,132	5,220	5,448	5,146
8. New Residential Construction	1,200	1,080	932	892	1,026	896	1,012	1,068	1,184	1,040
9. New Non-Residential Construction	1,532	1,556	1,568	1,656	1,578	1,712	1,856	1,832	1,848	1,812
10. New Machinery and Equipment	2,092	2,068	2,152	2,180	2,123	2,164	2,264	2,316	2,400	2,286
11. Adjusting Entry	12	4	12	8	9	12	-	4	16	8
12. Change in Inventories	1,276	1,768	940	-256	932	664	160	852	472	537
13. Non-Farm Business Inventories	820	1,328	776	-480	611	-268	-	384	284	100
14. Farm Inventories and Grain in Commercial Channels	416	452	192	132	298	684	120	392	168	341
15. Adjusting Entry	40	-12	-28	92	23	248	40	76	20	96
16. Exports of Goods and Services	5,024	4,948	5,380	5,420	5,193	5,708	5,748	5,664	5,884	5,751
17. Deduct: Imports of Goods and Services .	-5,616	-5,684	-5,760	-5,212	-5,568	-5,460	-5,540	-5,876	-6,348	-5,806
18. Residual Error of Estimate	100	128	64	128	105	-16	-408	-332	-132	-222
19. Adjusting Entry	304	332	136	-28	186	160	24	152	-4	83
20. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	24,672	25,020	24,464	23,968	24,531	25,876	26,204	26,740	27,236	26,514
	1953(2)					1954(2)				
	I	II	III	IV	Year	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services	16,568	16,624	16,636	16,804	16,658	16,592	16,912	17,284	17,388	17,044
2. Non-Durable Goods	8,380	8,456	8,428	8,476	8,435	8,308	8,604	8,840	8,848	8,650
3. Durable Goods	2,008	1,968	1,960	2,020	1,989	2,024	1,924	1,976	1,980	1,976
4. Services	6,256	6,268	6,320	6,380	6,306	6,348	6,476	6,552	6,660	6,509
5. Adjusting Entry	-76	-68	-72	-72	-72	-88	-92	-84	-100	-91
6. Government Expenditure on Goods and Services	5,176	5,224	5,296	5,308	5,251	4,920	5,124	5,128	5,220	5,098
7. Business Gross Fixed Capital Formation .	5,608	5,588	5,724	5,592	5,628	5,452	5,388	5,216	5,304	5,340
8. New Residential Construction	1,236	1,260	1,292	1,324	1,278	1,288	1,264	1,356	1,432	1,335
9. New Non-Residential Construction	1,840	1,880	1,988	1,956	1,916	1,920	1,836	1,844	1,868	1,867
10. New Machinery and Equipment	2,520	2,444	2,436	2,304	2,426	2,236	2,276	2,008	2,000	2,130
11. Adjusting Entry	12	4	8	8	8	8	12	8	4	8
12. Change in Inventories	516	592	756	728	648	64	-320	-316	-376	-237
13. Non-Farm Business Inventories	64	568	600	352	396	176	-160	-100	-104	-47
14. Farm Inventories and Grain in Commercial Channels	348	68	172	312	225	-68	-132	-176	-216	-148
15. Adjusting Entry	104	-44	-16	64	27	-44	-28	-40	-56	-42
16. Exports of Goods and Services	5,564	5,856	5,852	5,536	5,702	5,344	5,436	5,416	5,708	5,476
17. Deduct: Imports of Goods and Services .	-6,244	-6,460	-6,336	-6,012	-6,263	-5,868	-5,976	-5,872	-6,128	-5,961
18. Residual Error of Estimate	80	84	-404	-384	-156	112	16	-36	-32	15
19. Adjusting Entry	8	56	80	84	57	-20	-100	-52	-72	-61
20. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	27,276	27,564	27,604	27,656	27,525	26,596	26,480	26,768	27,012	26,714

See footnotes at the end of table.

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1947-61(1)
Seasonally Adjusted at Annual Rates - Continued

(millions of dollars)

	1955(2)					1956				
	I	II	III	IV	Year	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services	17,600	18,180	18,512	18,924	18,304	19,104	19,464	19,636	19,708	19,478
2. Non-Durable Goods(3)	9,164	9,328	9,456	9,668	9,404	9,832	9,940	10,092	10,120	9,996
3. Durable Goods	2,076	2,364	2,472	2,560	2,368	2,428	2,624	2,576	2,496	2,531
4. Services(3)	6,396	6,492	6,584	6,676	6,537	6,844	6,900	6,968	7,092	6,951
5. Adjusting Entry	-36	-4	-	20	-5					
6. Government Expenditure on Goods and Services	5,504	5,200	5,256	5,316	5,319	5,536	5,472	5,824	5,824	5,664
7. Business Gross Fixed Capital Formation .	5,244	5,548	5,844	6,092	5,682	6,516	7,008	7,232	7,300	7,014
8. New Residential Construction	1,388	1,464	1,500	1,520	1,468	1,636	1,624	1,552	1,456	1,567
9. New Non-Residential Construction	1,932	1,972	2,016	2,096	2,004	2,336	2,632	2,792	2,904	2,666
10. New Machinery and Equipment	1,924	2,104	2,320	2,468	2,204	2,544	2,752	2,888	2,940	2,781
11. Adjusting Entry	-	8	8	8	6					
12. Change in Inventories	236	416	788	404	461	1,396	836	696	1,416	1,086
13. Non-Farm Business Inventories	100	-224	388	396	165	1,108	676	500	964	812
14. Farm Inventories and Grain in Commercial Channels	112	468	336	36	238	288	160	196	452	274
15. Adjusting Entry	24	172	64	-28	58					
16. Exports of Goods and Services	5,868	5,856	5,940	5,912	5,894	6,236	6,396	6,332	6,368	6,333
17. Deduct: Imports of Goods and Services .	-6,472	-6,488	-7,040	-7,300	-6,825	-7,696	-7,908	-7,940	-8,140	-7,921
18. Residual Error of Estimate	16	156	116	176	116	-172	-4	-104	-304	-146
19. Adjusting Entry	24	116	124	4	67					
20. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	28,020	28,984	29,540	29,528	29,018	30,920	31,264	31,676	32,172	31,508
	1957					1958				
	I	II	III	IV	Year	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services	19,852	20,004	20,192	20,240	20,072	20,416	20,460	20,788	21,144	20,702
2. Non-Durable Goods(3)	10,236	10,356	10,472	10,544	10,402	10,564	10,524	10,656	10,784	10,632
3. Durable Goods	2,432	2,412	2,452	2,424	2,430	2,448	2,412	2,468	2,536	2,466
4. Services(3)	7,184	7,236	7,268	7,272	7,240	7,404	7,524	7,664	7,824	7,604
5. Government Expenditure on Goods and Services	5,604	5,772	5,776	5,736	5,722	5,772	6,008	6,064	6,012	5,964
6. Business Gross Fixed Capital Formation .	7,608	7,408	7,268	7,056	7,335	6,884	6,884	6,776	6,764	6,827
7. New Residential Construction	1,364	1,368	1,408	1,496	1,409	1,604	1,732	1,752	1,800	1,722
8. New Non-Residential Construction	3,088	3,128	3,128	3,068	3,103	2,856	2,836	2,752	2,624	2,767
9. New Machinery and Equipment	3,156	2,912	2,732	2,492	2,823	2,424	2,316	2,272	2,340	2,338
10. Change in Inventories	696	312	224	-308	231	-784	-304	-88	-120	-324
11. Non-Farm Business Inventories	744	292	384	-200	305	-652	-204	-12	44	-206
12. Farm Inventories and Grain in Commercial Channels	-48	20	-160	-108	-74	-132	-100	-76	-164	-118
13. Exports of Goods and Services	6,404	6,260	6,540	6,360	6,391	6,356	6,488	6,232	6,412	6,372
14. Deduct: Imports of Goods and Services .	-8,144	-7,944	-7,792	-7,372	-7,813	-7,172	-7,232	-7,256	-7,652	-7,328
15. Residual Error of Estimate	24	16	-84	-72	-29	112	-276	-204	-44	-103
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	32,044	31,828	32,124	31,640	31,909	31,584	32,028	32,312	32,516	32,110

See footnotes at the end of table.

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1947-61⁽¹⁾
Seasonally Adjusted at Annual Rates - Concluded

(millions of dollars)

	1959					1960					1961
	I	II	III	IV	Year	I	II	III	IV	Year	I
1. Personal Expenditure on Consumer Goods and Services	21,348	21,484	21,756	21,880	21,617	21,880	22,288	22,292	22,632	22,273	22,528
2. Non-Durable Goods(3)	10,844	10,936	11,116	11,212	11,027	11,192	11,488	11,516	11,468	11,416	11,536
3. Durable Goods	2,612	2,632	2,588	2,564	2,599	2,580	2,572	2,500	2,824	2,619	2,576
4. Services(3)	7,892	7,916	8,052	8,104	7,991	8,108	8,228	8,276	8,340	8,238	8,416
5. Government Expenditure on Goods and Services	6,060	6,164	5,920	5,908	6,013	5,936	6,000	6,188	6,164	6,072	6,178
6. Business Gross Fixed Capital Formation	6,352	6,588	6,668	6,592	6,550	6,468	5,932	6,020	6,164	6,146	5,902
7. New Residential Construction ...	1,720	1,624	1,584	1,604	1,633	1,520	1,276	1,316	1,288	1,350	1,370
8. New Non-Residential Construction	2,396	2,500	2,488	2,508	2,473	2,440	2,316	2,404	2,428	2,397	2,228
9. New Machinery and Equipment	2,236	2,464	2,596	2,480	2,444	2,508	2,340	2,300	2,448	2,399	2,304
10. Change in Inventories	372	144	440	140	274	740	428	-136	216	312	84
11. Non-Farm Business Inventories ..	468	216	408	252	336	640	332	-192	100	220	-16
12. Farm Inventories and Grain in Commercial Channels	-96	-72	32	-112	-62	100	96	56	116	92	100
13. Exports of Goods and Services	6,248	6,636	6,584	6,944	6,603	7,100	6,548	7,036	6,704	6,847	7,000
14. Deduct: Imports of Goods and Services	-7,756	-7,980	-8,204	-8,232	-8,043	-8,212	-7,888	-7,760	-7,876	-7,934	-8,034
15. Residual Error of Estimate	140	184	232	232	197	68	168	96	32	91	-8
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	32,764	33,220	33,396	33,464	33,211	33,980	33,476	33,736	34,036	33,807	33,650

(1) See also footnote 1, Table 17.

(2) For an explanation of the adjusting entries, see the technical note.

(3) Beginning with the year 1955, the classification of the items electricity and gas was changed from services to non-durable goods. The following gives the data from 1955 to date.

Gas and Electricity, in Millions of Constant (1957) Dollars, by Quarters, 1955-61
Seasonally Adjusted at Annual Rates

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1955	248	248	260	264	255
1956	268	284	296	296	286
1957	304	312	320	332	317
1958	340	340	352	364	349
1959	380	388	388	424	395
1960	428	428	424	440	430
1961 ,.....	432				

CATALOGUE No.

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In order to obtain a complete historical record of the current dollar quarterly National Accounts, the following publications should be consulted:

"National Accounts, Income and Expenditure, by
Quarters, 1947-1957", for the years 1947-1954.

"National Accounts, Income and Expenditure,
Fourth Quarter and Preliminary Annual, 1960",
for the years 1955-1959.

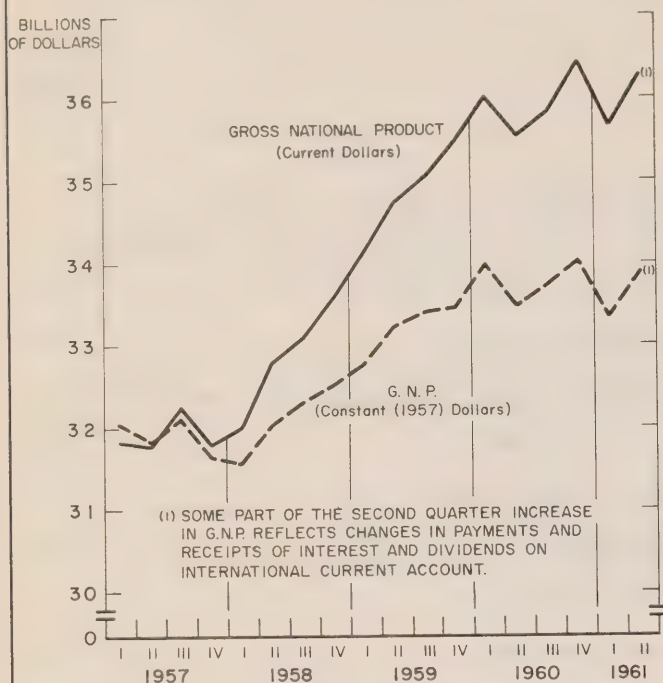
The historical record of the recently introduced series of Gross National Expenditure in Constant (1957) Dollars, both unadjusted and adjusted for seasonal variation, may be found in the publication:

"National Accounts, Income and Expenditure,
First Quarter 1961"

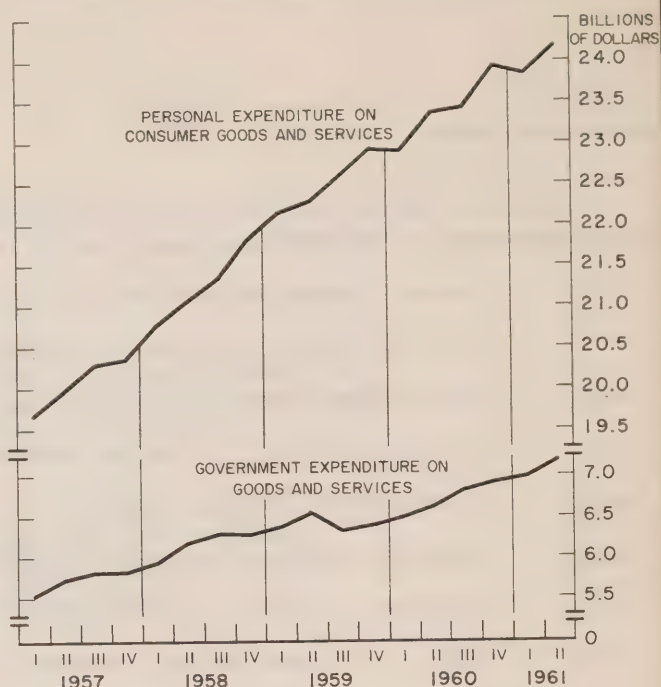
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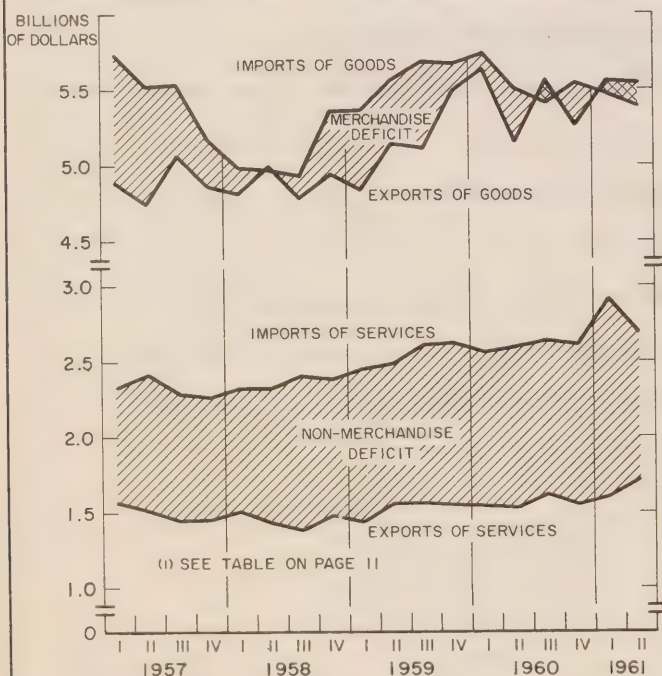
G.N.P. RESUMED ITS UPWARD TREND IN THE SECOND QUARTER OF 1961, FOLLOWING THE SLACKENING IN ACTIVITY WHICH DEVELOPED IN THE FIRST QUARTER



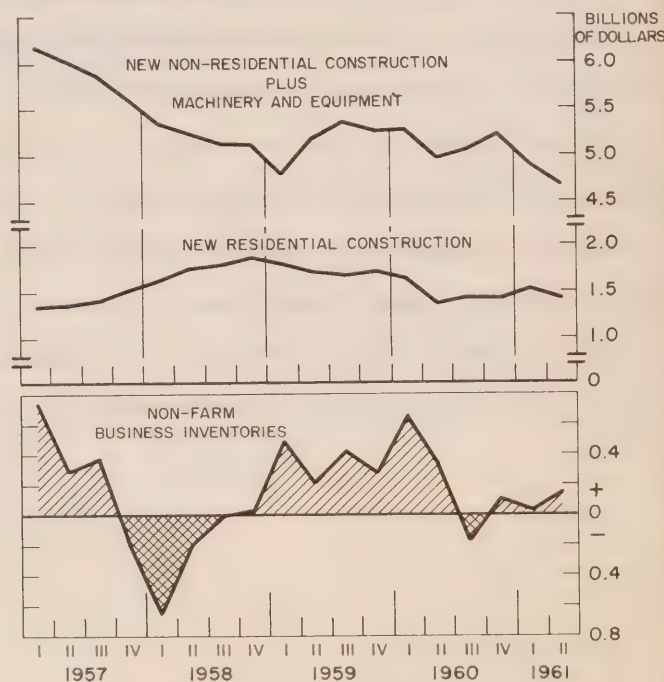
CONSUMER EXPENDITURES AND GOVERNMENT OUTLAYS FOR GOODS AND SERVICES WERE MAJOR FACTORS CONTRIBUTING TO THE STRENGTH OF FINAL DEMAND IN THE QUARTER



THE DEFICIT ON CURRENT ACCOUNT NARROWED SHARPLY, REFLECTING FOR THE MOST PART A DECLINE IN PAYMENTS ON SERVICE ACCOUNT (MAINLY INTEREST AND DIVIDENDS), ACCOMPANIED BY AN INCREASE IN RECEIPTS FROM SERVICES; THERE WAS ALSO A SMALL INCREASE IN THE SURPLUS ON MERCHANDISE TRADE⁽¹⁾



BUSINESS OUTLAYS FOR PLANT, MACHINERY AND EQUIPMENT CONTINUED TO DECLINE IN THE SECOND QUARTER, AND OUTLAYS FOR NEW HOUSING WERE ALSO LOWER; BUSINESS INVENTORIES WERE BEING BUILT UP IN THE SECOND QUARTER, THOUGH AT A MODEST RATE



(IN ALL CHARTS DATA ARE SEASONALLY ADJUSTED AT ANNUAL RATES)

INTRODUCTORY REVIEW

The upward trend in production of goods and services was resumed in the second quarter of 1961, following the slackening in the pace of economic activity which occurred in the first quarter. On a seasonally adjusted basis, the Gross National Product rose by close to 2 per cent over the level of the preceding quarter, though the advance was magnified by changes on interest and dividend account, as shown below. The production gain was supported by advances in most major demand categories, with the exception of business outlays for new plant and equipment, and expenditures for new housing, which declined. In spite of the weakness in these categories of fixed investment, total final purchases rose by about \$0.3 billion during the quarter, and the effect of this recovery on total production was further augmented by a decline in the supply of imported goods and services. A substantial gain in consumer expenditures, rising outlays by the government sector, and a small increase in exports of goods and services, were the major factors accounting for the increased level of final expenditures. Business inventories were also built up during the quarter, but to a very limited extent. The changes in these major demand categories are shown in the Table overleaf.

As in the case of the first quarter of 1961, the second quarter was characterized by sizeable changes in interest and dividend transactions with non-residents. The unusually large dividend outflow of the first quarter was not maintained, and interest and dividend payments in total declined by more than 20 per cent from the first quarter level; even so, the outflow remained unusually high by comparison with previous quarters. At the same time, there was a large increase in interest and dividends received from abroad, amounting to almost 30 per cent, on a seasonally adjusted basis. The irregular nature of these interest and dividend flows in the first and second quarters of this year have made it difficult to disentangle the various sets of forces operating on the Gross National Product. The Table on this page is presented in order to show the quantitative effect of these interest and dividend transactions on the measurement of production. The Gross Domestic Product, that is, the value of production arising within the geographical boundaries of Canada, is shown for comparison with the Gross National Product figure(1).

Relation between National and Domestic Product

(Seasonally Adjusted at Annual Rates)

	4Q '60	1Q '61	2Q '61	% Change 2Q '61 1Q '61
	(millions of dollars)			
Gross National Product	36,436	35,668	36,280	1.7
Add: Interest & Dividend Payments to Abroad	584	936	740	-20.9
GNP Plus Interest & Dividend Payments to Abroad.	37,020	36,604	37,020	1.1
Deduct: Interest & Dividends Received from Abroad	172	188	240	27.7
Gross Domestic Product	36,848	36,416	36,780	1.0

The internal and external factors influencing the movement of interest and dividends are many and complex, being the outcome of a number of decisions made in an international context. Present and prospective investment plans, liquidity, exchange rates, money market conditions, budgetary changes, and tax agreements may all be factors which have influenced these transfers in recent quarters.

(1) Gross National Product includes the earnings of Canadian factors of production located abroad (as measured by the interest and dividend inflow), but excludes the earnings of foreign factors of production located in Canada (as measured by the interest and dividend outflow). Gross Domestic Product measures production and earnings arising within the geographical boundaries of Canada, irrespective of whether the means of production are Canadian or foreign-owned.

Quarter to Quarter Changes in Final Purchases

(Seasonally Adjusted at Annual Rates)

(\$ millions)

	1Q'58 to 2Q'58	2Q'58 to 3Q'58	3Q'58 to 4Q'58	4Q'58 to 1Q'59	1Q'59 to 2Q'59	2Q'59 to 3Q'59	3Q'59 to 4Q'59	4Q'59 to 1Q'60	1Q'60 to 2Q'60	2Q'60 to 3Q'60	3Q'60 to 4Q'60	4Q'60 to 1Q'61	1Q'61 to 2Q'61
1. Personal Expenditure	280	284	480	320	156	300	332	-24	480	44	524	-88	324
2. Government Expenditure	264	104	-4	88	172	-208	60	88	132	212	92	64	200
3. Residential Construction	136	36	76	-68	-84	-32	36	-84	-244	48	-20	88	-76
4. Non-Residential Construction	-4	-76	-96	-220	124	16	32	-44	-132	108	16	-184	-
5. Machinery and Equipment	-116	-36	88	-84	256	148	-124	52	-156	-40	152	-132	-216
6. Exports	104	-248	248	-136	404	-24	372	128	-496	492	-356	336	104
7. Total Final Purchases	664	64	792	-100	1,028	200	708	116	-416	864	408	84	336
8. (Final Domestic Demand).	(560)	(312)	(544)	(36)	(624)	(224)	(336)	(-12)	(80)	(372)	(764)	(-252)	(232)

1 6 1

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in Non-Farm Business Inventories.	460	192	32	464	-280	212	-148	372	-312	-512	284	-80	120
10. Imports	-20	44	400	80	232	248	-12	4	-192	-48	96	236	-300
11. GNP (ex. farm)	748	384	452	552	684	232	624	216	-264	244	528	-484	680

Production and Employment

In physical volume terms, the second quarter level of output of goods and services was very close to that achieved at the peak 15 months earlier, and better than 1 per cent above the first quarter 1961 level (all data seasonally adjusted). However, the average rate of output for the first six months of 1961 was fractionally below that for the first half of 1960. It may be noted that this comparison allows for an estimated \$400 million reduction in the value of the 1961 grain crop as compared with that for 1960. The August crop estimates suggest that the total value of crop production in 1961 may amount to less than \$600 million, compared with more than \$1,000 million in the preceding year. The Gross National Product estimates of crop production which were presented at the time of the first quarter, based on acreage intentions and 10-year average yields, have been revised accordingly in the present estimates (see Footnote 3, Table 11).

The increase in the physical volume of production between the first and second quarters of 1961, seasonally adjusted, was evenly divided between the goods-producing and the service-producing industries. Among the service-producing industries, much the largest rate of increase -- about 4 per cent -- was in transportation, communication and storage, reflecting the higher level of activity in goods-handling industries as a result of larger exports of grain to China and renewed strength in mining and manufacturing. Real output in the other service groups was up 1 per cent or less.

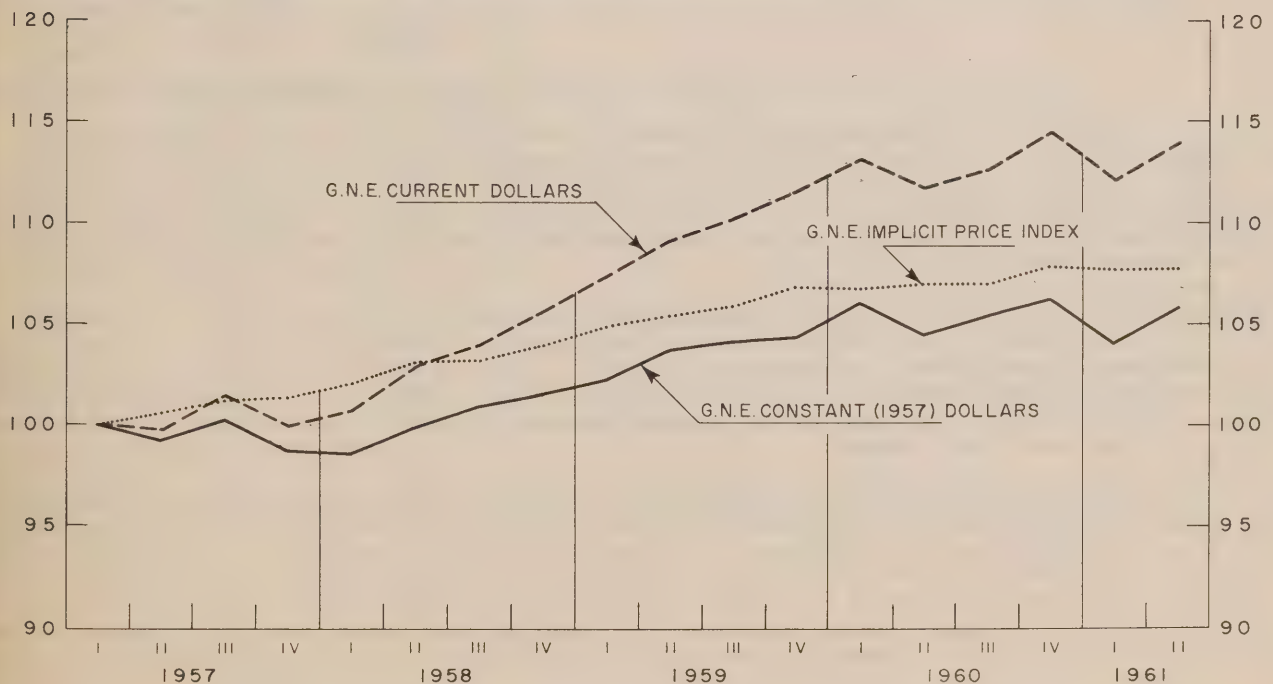
Among the goods-producing industries, production gains were widespread, ranging from 1 per cent in forestry to more than 5 per cent in public utilities and in mining, quarrying and oil wells. Manufacturing output was up about 2 per cent in the quarter, but activity in the construction industry declined, reflecting mainly the drop in outlays for new housing from the high first quarter level.

Within manufacturing, production gains were general, with an increase in the non-durable group of 1.4 per cent, and in the durable group of 2.1 per cent. Among the non-durables, the gains in production ranged from 2 per cent in chemicals, paper, clothing and textile products to 12 per cent in rubber products; however, foods and beverages, and printing and publishing were lower. Among the durables, the gains in non-ferrous metal products and transportation equipment were fractional, but the increase in production in the other durable groups ranged from 1 per cent in wood products to 5 per cent in non-metallic mineral products. A 17 per cent rise in the output of primary steel contributed to a 4 per cent gain in production of the iron and steel group.

INDEXES OF G.N.E. IN CURRENT AND CONSTANT 1957 DOLLARS

(Seasonally Adjusted)

FIRST QUARTER 1957=100



It is interesting to consider the production performance of certain selected industries in the second quarter in relation to the peaks previously achieved. A sharp expansion in the production of crude oil and in production and distribution of natural gas has lifted the indexes of production for mining and utilities to an all-time high. Mining has more than recovered the ground lost since the first quarter of 1960 when cut-backs in uranium production began to pull down the index. However, output in manufacturing was still about 2 per cent below the peak reached in the first quarter of 1960, although the latest advance in non-durable goods production brought the level of this particular component to a point about 1 1/2 per cent higher than in the first quarter of 1960; output of durables, despite the recent gain, was more than 9 per cent below the all-time peak reached in the fourth quarter of 1956, and 7 per cent below the first quarter of 1960.

When the first half of 1961 is compared with the same period of 1960 on a seasonally adjusted basis total output of goods and services in physical terms is estimated to be down fractionally, with a decline in the output of goods more than offsetting increased activity in the service industries. Production was lower in forestry (-3 per cent), durable goods manufacturing (-6 per cent), construction (-4 per cent), and in agriculture (where the crop was estimated to be lower by 40 per cent). Increases were recorded in all other industries, with gains ranging from 1 per cent in trade and other services to 6 per cent in public utilities.

The increase in production in the second quarter was associated with a 1 per cent gain in employment (when seasonal factors are taken into account), as well as with an increase in hours worked in some industries. The improvement in employment was more than sufficient to absorb the increment to the labour force with the result that unemployment as a per cent of the labour force fell from 7.8 per cent to 7.5 per cent. At the end of the quarter, the rate of unemployment was the lowest in the preceding nine months, on a seasonally adjusted basis.

In the first half-year comparison, employment was 1.2 per cent higher. As is apparent from the following Table, the goods-producing group provided fewer jobs in 1961 than in 1960, much the sharpest rate of decline being in "other primary industries", that is, forestry, mining, fishing and trapping. However, employment in manufacturing was at a somewhat higher level. The notable increase was in the service industries, continuing a trend that has been evident for some years.

Employment by Industry(1)

	Half-Year Averages		% Change
	1960	1961	
	(Estimates in thousands)		
Total Employed	5,786	5,853	1.2
Goods-Producing Industries	2,648	2,624	-0.9
Agriculture	625	639	2.2
Other Primary Industries	192	160	-16.7
Manufacturing	1,452	1,465	0.9
Construction	379	361	-4.7
Service-Producing Industries	3,139	3,229	2.9
Transportation & Other Utilities	511	503	-1.6
Trade	957	957	N.C.
Finance, Insurance & Real Estate	226	239	5.8
Service	1,445	1,531	6.0

(1) Figures will not add by +1 or -1 due to rounding.

THE COMPONENTS OF DEMAND

Consumer Spending

Following a slight easing in the first quarter, consumer spending advanced in the second, and at a seasonally adjusted annual rate of \$24.2 billion was up by 1 1/2 per cent. Prices in the consumer sector were fractionally lower with the result that the gain in the volume of consumption slightly exceeded the rise in value.

All the major components contributed to the rise in consumer spending but none of them showed signs of unusual strength. The largest gain was in purchases of durables which were up 2 per cent. The bulk of this increase is accounted for by purchases of new and used cars which rose by 5 per cent. Purchases of new cars increased by 8 per cent, with all of the gain being accounted for by cars of North American manufacture; purchases of British and European cars declined for the second quarter in succession. Spending on household durables showed mixed trends with an increase of about 4 per cent in purchases of furniture and with an equivalent rate of decline in purchases of radios and appliances. Spending on home furnishings was somewhat higher. Changes in prices of durables were small and virtually offsetting.

Expenditures on non-durable goods are estimated to have risen by 1 1/2 per cent in the second quarter, with all categories except tobacco and alcoholic beverages contributing to the increase. Prices of non-durables were down fractionally as a result of a more than 1 per cent decline in food prices. Some small price increases were apparent in clothing for the first time in two years.

Expenditures on services rose by 1 per cent. The increase would have been somewhat greater but for an irregular movement in the adjustment for net expenditures abroad. Other items in the service component were either unchanged or slightly higher in the second quarter. The increase in prices in the service sector was small. An important factor in the levelling off of the implicit price index for services was the stability in rents, although other prices also showed marked stability or slight declines.

In the first half of 1961 consumer spending was higher than in the same period of 1960 by 4 per cent, and higher than the average rate for 1960 by 2 1/2 per cent. Both comparisons show a distinct drop in purchases of durables, reflecting for the most part declines in prices of durable goods. Car purchases were off about 5 per cent in the year-over-year comparison, approximately half of which was price. Declines in outlays for other household durables were attributable entirely to lower prices; real purchases of these durables were slightly higher.

Consumer credit (including bank personal loans) at the end of June, was more than 6 per cent higher than a year earlier.

Gross Fixed Capital Formation

Business gross fixed capital formation is estimated at an annual rate of \$6.1 billion in the second quarter, a drop of 4 1/2 per cent from the level of the preceding period. This decline reflects a reversal of the improvement in housing that had been apparent early in the year, and a further decline in business outlays for plant and equipment. The rate of total business fixed capital formation in the first half of the year was almost 7 per cent below spending intentions for the full year 1961 as reviewed in the June investment survey.

In response to the easing in the supply of mortgage money, housing starts began to rise in the third quarter of 1960; this tendency was reinforced by the liberalization of lending terms under the National Housing Act at the end of the year. In these circumstances, starts were at a very high level in the opening months of 1961. However, in the second quarter housing starts declined by about 23 per cent. At the same time, completions were also moderately lower, with the result that outlays for new housing were down by 5 per cent.

Business expenditures for plant and equipment in the second quarter are estimated at a seasonally adjusted annual rate of \$4.7 billion, a drop of about 4 1/2 per cent. All of the decline was concentrated in machinery and equipment. Related information on non-residential construction suggests some shift in composition, with more emphasis on engineering construction and less emphasis on building and structures, but in total non-residential construction outlays were unchanged in the second quarter; the rate in the first half of the year was about 10 per cent below the rate expected for the year as a whole. The "Mid-Year Review of Private and Public Investment in Canada - Outlook 1961" reports that a

significant number of construction programs were running behind schedule, partly because of unfavourable weather in Eastern Canada in the early spring. It may be noted that the rate of decline in new orders in the construction goods industries slackened perceptibly in the second quarter; this series is, however, highly irregular.

Outlays for machinery and equipment fell by almost 9 per cent in the second quarter, following a considerably smaller rate of decline in the first quarter. At an annual rate of \$2.3 billion, they were running 7 per cent below the year 1960 and more than 4 per cent below businessmen's spending plans for 1961. Details of imports of machinery and equipment are not yet available for the full quarter but related information suggests that the decline affected agricultural implements, commercial vehicles and railway rolling stock. New orders in the domestic capital goods industries (excluding heavy transportation equipment) were up about 3 per cent in the second quarter.

Investment in Non-Farm Business Inventories

Some support to the level of economic activity in the second quarter came from the building up of business inventory stocks, in contrast to the previous quarter when the accumulation of inventories had been negligible. The second quarter build-up was small, however, and was concentrated in retail and wholesale trade, and other industries including mining and transportation. Manufacturing industries continued to draw down their stocks, with the liquidation centred in raw materials and goods in process; manufacturer's finished products, on the contrary, were built up during the quarter.

Changes in Business Inventories, by Quarters

(Seasonally Adjusted at Annual Rates)

(millions of dollars)

	1961	
	(1)	(2)
Manufacturing	-24	-64
Durable	-180	12
Non-Durable	156	-76
Wholesale	68	24
Retail	-64	40
Other	48	148
Total	28	148

The movement of stocks at retail was dominated by the inventories in the hands of automotive dealers, which were drawn down sharply in the first quarter and built up moderately in the second. In other retail trades changes in inventories were mixed and largely offsetting.

The building up of stocks in wholesale trade continued in the second quarter, but at a reduced rate. Further liquidation occurred in durable goods, but there was a continuation of the build-up in non-durables.

In manufacturing, there was a relatively large advance in durable goods production in the second quarter, in contrast to the first quarter decline, and this development was accompanied by a shift from inventory liquidation in the first quarter to a modest rate of accumulation in the second. However, in non-durables manufacturing inventories moved in reverse fashion, from a position of accumulation in the first quarter to substantial liquidation in the second. Most of the decumulation took place in paper, chemicals, textiles and clothing. The drawing down of stocks in manufacturing industries in the second quarter brought the ratio of stocks to shipments at the end of the period down to the same level as a year earlier.

In the first half of 1961, in contrast to the first half of 1960, inventory changes have had little impact on the level of economic activity. In 1960, as the rate of economic activity weakened, inventory accumulation dropped sharply in the second quarter, but in the first half of 1961 the gradualness of recovery apparently offered little inducement to the building up of stocks.

Exports and Imports of Goods and Services

In the second quarter of 1961, as in the first, changes in transactions on interest and dividend account between Canada and abroad played an important part in the current balance of payments position. Some of the factors that may be behind these changes have been suggested in the introductory section of this report. As the Table below indicates, receipts from exports of goods and services in the second quarter are estimated at \$7.3 billion, and payments for imports of goods and services at \$8.1 billion (all figures seasonally adjusted at annual rates); these figures represent an increase from the preceding quarter of 1 1/2 per cent in the case of receipts and a decrease of more than 3 1/2 per cent in the case of payments. The deficit on current account in the second quarter was thus reduced by about one-third, from \$1.2 billion in the first quarter (seasonally adjusted at annual rates) to \$0.8 billion. The major part of this reduction in the deficit was brought about by changes in transactions on interest and dividend account. Interest and dividends received from abroad rose by 28 per cent, and interest and dividend payments to abroad fell by 21 per cent. Transactions on merchandise account were a relatively unimportant factor in the reduced current account deficit, the decline in merchandise imports of \$80 million representing only about one-fifth of the total reduction in the deficit.

Exports and Imports of Merchandise and Services

(Seasonally Adjusted at Annual Rates)

	4Q 1960	1Q 1961	2Q 1961	% Change 1Q to 2Q
	(millions of dollars)			
Exports:				
Merchandise	5,264	5,548	5,540	- 0.1
Services (including interest and dividend receipts)	1,548	1,600	1,712	7.0
Total	6,812	7,148	7,252	1.5
Imports:				
Merchandise	5,540	5,468	5,388	- 1.5
Services (including interest and dividend payments)	2,608	2,916	2,696	- 7.5
Total	8,148	8,384	8,084	- 3.6

The adoption of the Standard Commodity Classification for exports has delayed compilation of the commodity detail that is normally available at this time; detail on the composition of imports is also incomplete. However, five months' comparisons for exports of leading commodities and for leading countries is shown in the accompanying Table. For commodities, the major changes are the very large expansion in sales of wheat and the contraction in sales of uranium ores and concentrates. Other changes in sales of major export products were also fairly large but varied widely in direction; total merchandise exports in the five months were higher than a year ago by almost 1 per cent. As in the recent past, there was a striking growth in sales to the countries of the European Common Market and to Japan. Sales to the United States were considerably lower.

Domestic Exports

	Jan. - May 1960	Jan. - May 1961	% Change
	(thousands of dollars)		
<u>Leading Commodities</u>			
Newsprint paper	296,432	303,758	2.5
Wheat	157,854	210,880	33.6
Lumber and timber	141,142	137,274	- 2.7
Woodpulp	135,036	138,187	2.3
Uranium ores and concentrates	126,586	88,298	- 30.2
Aluminum and products	103,183	94,907	- 8.0
Nickel	109,369	121,593	11.2
Copper and products	92,024	82,990	- 9.8
Fish and fishery products	44,875	44,532	- 0.8
Farm machinery and implements	47,178	42,341	- 10.3
<u>Leading Countries</u>			
United States	1,233,029	1,127,257	- 8.6
United Kingdom	350,923	347,671	- 0.9
European Common Market	139,250	173,778	24.8
Japan	68,453	82,314	20.2
Other(1)	301,203	381,684	26.7
Total Domestic Exports	2,092,858	2,112,704	0.9

(1) Sharp increases in exports to other countries reflect recent sales of wheat to Communist China and the U.S.S.R.

The Government Sector

The total deficit on transactions with all governments widened in the second quarter (on the National Accounts basis), and was at a seasonally adjusted annual rate of \$1.2 billion. While the deficit on provincial-municipal transactions remained high in relation to previous experience, it narrowed slightly in the second quarter as the increase in receipts exceeded the rise in outlays. At the Federal level, the deficit was estimated to be running at an annual rate of about \$750 million in the second quarter, up from the first quarter level of \$568 million.

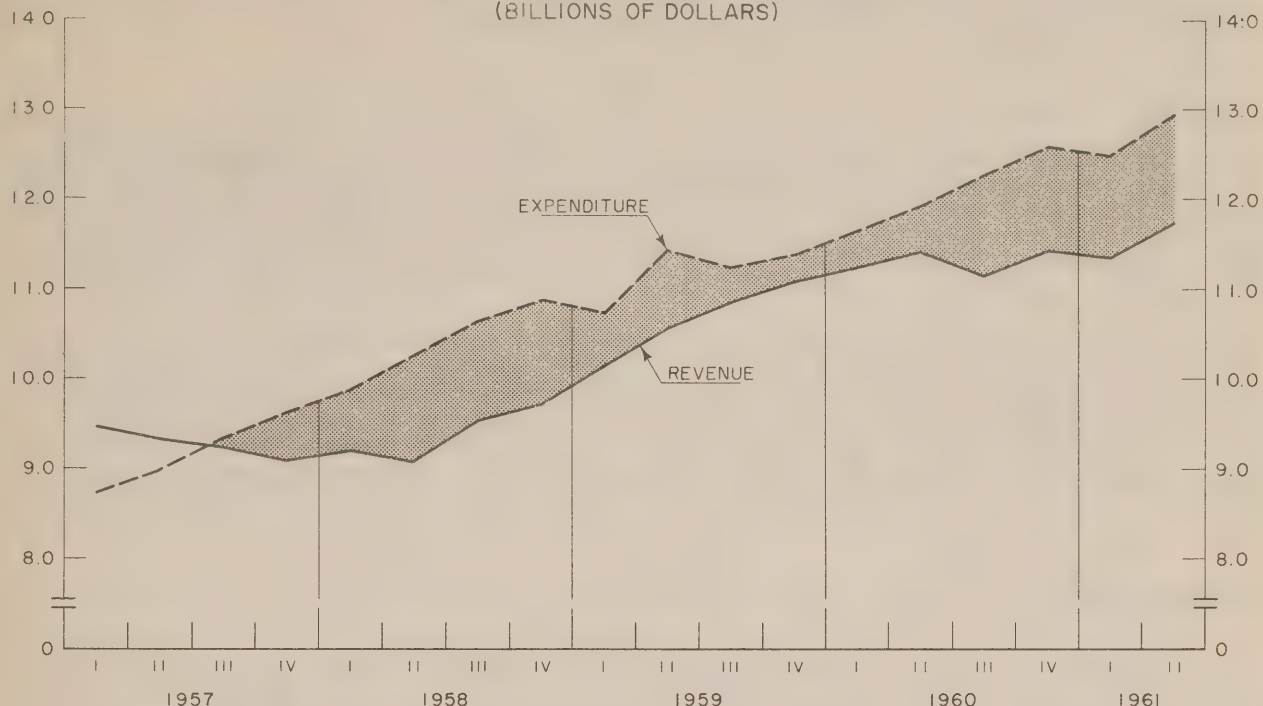
The rise in revenues at the Federal level (seasonally adjusted) reflected substantially higher direct tax collections from individuals in the second quarter, and also an increase in corporation profits tax accruals associated with the sharp second quarter increase in corporate earnings. Federal indirect taxes were lower in the quarter, associated with a decline in excise taxes (the latter decline was accompanied by lower shipments from manufacturers), and to a lesser degree with a small drop in revenues from customs import duties reflecting a lower level of merchandise imports. Receipts from various forms of investment income at the Federal level also declined in the quarter.

On the expenditure side, outlays for goods and services by the Federal government rose by about 3 per cent, reflecting for the most part an increase in Federal defence expenditures. Transfer payments (excluding inter-governmental transfers), were higher by 2 per cent, as increases in some forms of welfare benefits were partially offset by a decline in unemployment insurance payments. Transfer payments to other levels of government rose sharply in the quarter, by 17 per cent, associated with higher payments to provinces under the "Hospital Insurance and Diagnostic Services Act".

GOVERNMENT REVENUE AND EXPENDITURE

(Seasonally Adjusted at Annual Rates)

(BILLIONS OF DOLLARS)



COMPONENTS OF INCOME

Personal Income and Saving

Total personal income, seasonally adjusted, advanced by close to 1 per cent in the second quarter as most components recorded gains with the major exception of farm income. The 1 per cent gain was not reflected in after-tax income, however, as personal direct tax collections rose sharply in the quarter. Disposable income showed only a fractional increase. With consumer spending higher by 1 1/2 per cent, personal saving fell from \$1.3 billion in the first quarter to \$1.1 billion in the second, or from 5.3 per cent of disposable income, to 4.3 per cent.(2)

Labour Income

Labour income in the second quarter was running at a seasonally adjusted annual rate of \$19.0 billion, 1 1/2 per cent higher than in the first quarter; most major industries recorded modest gains, with the significant exception of forestry and construction; in the latter industry, employment eased slightly in the second quarter, after seasonal factors are taken into account. Labour income was also lower in agriculture. A slight gain in employment, longer hours of work and higher average hourly earnings all contributed to the 2 per cent in labour income in the manufacturing industries. Increased employment was the major factor in the more than 2 1/2 per cent increase in labour income in mining.

- (2) The relatively low levels of personal saving (seasonally adjusted basis) in the first half of 1961 reflect the sharp decline in the National Accounts estimate of net income received by farm operators, attributable to the reduced levels of crop production in the Prairie Provinces.

In the first half of 1961, labour income was running about 3 per cent above the same period one year earlier. The experience of the individual industries differed markedly. In forestry, income was sharply reduced, and there were also declines in mining and construction. Labour income in manufacturing was only fractionally higher. Much the greatest percentage increases were in government service (+10 per cent), other services (+8 per cent), and in finance, insurance and real estate (+7 per cent). These groups were also those in which the largest gains in employment occurred.

Farm Income

Accrued net farm income of farm operators from farm production is estimated to have declined by 7 per cent in the second quarter, at seasonally adjusted annual rates. A small drop in cash income largely reflected lower receipts from a miscellaneous group of items, including dairy products, hogs, tobacco and cattle and calves. The value of inventories showed little change; operating expenses showed a further small increase, thereby contributing to the estimated reduction in net farm income in the quarter.

In the first half-year comparison, accrued net farm income is estimated to be lower by nearly 25 per cent as a result of the severe drought in the Prairie Provinces. The August estimate of the value of crop production indicates a decline of about 40 per cent from the estimate for 1960. The effect of the drought on the wheat crop is particularly marked; physical production is expected to be the lowest since 1937. However, preliminary returns suggest that the grain is of excellent quality. The drop in grain production has been offset to some extent by an increase in livestock production, reflecting both higher returns from the sale of livestock products and larger numbers of livestock on farms.

Corporation Profits

Corporate profits (before taxes and dividends paid to non-residents), rose by 13 per cent in the second quarter, to a seasonally adjusted annual rate of \$3.2 billion. This represents one of the largest quarterly rates of increase in recent years, and brings the level of the series to a point about 8 per cent below the previous peak in the fourth quarter of 1959. Dividend payments to non-residents, which had been unusually large in the first quarter of 1961, fell sharply in the second quarter, by about 30 per cent.

The second quarter increase in profits, seasonally adjusted, was widespread among individual industries. Profits in manufacturing rose by 18 per cent, with the largest gain in the iron and steel products industry. Other durable goods industries in manufacturing also recorded relatively large gains, including wood, non-ferrous metals, electrical apparatus and non-metallic minerals. The rise in profits in the non-durable industries was less marked, and declines occurred in some cases, notably textiles and foods and beverages.

Among the other industries, profits in mining were up by 22 per cent over the first quarter, wholesale and retail trade by more than 20 per cent, and services by 30 per cent. In transportation, communication and storage, where profits had been falling for more than a year, profits rose by 14 per cent.

Despite the improvement in economic activity in the second quarter, corporate profits in the first half of 1961 were some 6 per cent lower than in the same period of 1960. The sharpest declines in this comparison were in retail and wholesale trade, but profits in transportation, communication and storage and in manufacturing industries were also appreciably lower. The only major industrial group in which there was some increase in profits was in public utility operations.

TABLE 1. National Income and Gross National Product, by Quarters, 1960 and 1961

(millions of dollars)

	1960					1961	
	I	II	III	IV	Year	I	II
1. Wages, Salaries, and Supplementary Labour Income	4,397	4,622	4,792	4,703	18,514	4,507	4,786
2. Military Pay and Allowances	119	129	127	134	509	129	140
3. Corporation Profits before Taxes and before Dividends Paid to Non-Residents(1)	724	875	823	778	3,200	600	901
4. Deduct: Dividends Paid to Non-Residents(2)	-107	-106	-120	-132	-465	-164	-120
5. Rent, Interest, and Miscellaneous Investment Income ..	573	582	590	617	2,362	599	589
6. Accrued Net Income of Farm Operators from Farm Production(3)	5	112	988	102	1,207	51	128
7. Net Income of Non-Farm Unincorporated Business(4)	460	550	513	582	2,105	442	547
8. Inventory Valuation Adjustment(5)	-34	-26	-16	19	-57	12	-17
9. NET NATIONAL INCOME AT FACTOR COST	6,137	6,738	7,697	6,803	27,375	6,176	6,954
10. Indirect Taxes less Subsidies	1,066	1,116	1,095	1,112	4,389	1,093	1,138
11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	1,008	1,091	1,080	1,112	4,291	999	1,069
12. Residual Error of Estimate	-86	-199	88	101	-96	-80	-152
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	8,125	8,746	9,960	9,128	35,959	8,188	9,009
14. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators)	(8,120)	(8,634)	(8,972)	(9,026)	(34,752)	(8,137)	(8,881)

(1) In reports prior to 1961 this item was shown after deduction of dividends paid to non-residents, it is now however inclusive of such dividends. In order to derive series consistent with past published figures, lines 3 and 4 must be combined.

(2) Includes the withholding tax applicable to this item. Also includes some net profits of non-Canadian non-financial corporations. Since the withholding tax is also part of National Product, it is included again in Rent, Interest and Miscellaneous Investment Income.

(3) Includes change in farm inventories as shown in line 11, Table 5. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

(4) Includes net income of independent professional practitioners.

(5) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1960 and 1961

(millions of dollars)

	1960					1961	
	I	II	III	IV	Year	I	II
1. Personal Expenditure on Consumer Goods and Services ..	5,377	5,858	5,755	6,419	23,409	5,581	6,079
2. Government Expenditure on Goods and Services(1)(2) ...	1,491	1,533	1,953	1,739	6,716	1,603	1,654
3. Business Gross Fixed Capital Formation(3)	1,411	1,740	1,788	1,673	6,612	1,302	1,643
4. New Residential Construction	317	365	399	395	1,476	291	366
5. New Non-Residential Construction	478	620	787	682	2,567	441	599
6. New Machinery and Equipment	616	755	602	596	2,569	570	678
7. Value of Physical Change in Inventories(4)	68	-112	670	-310	316	-52	-214
8. Non-Farm Business Inventories	353	-35	-114	25	229	208	-58
9. Farm Inventories and Grain in Commercial Channels ..	-285	-77	784	-335	87	-260	-156
10. Exports of Goods and Services	1,582	1,692	1,918	1,765	6,957	1,574	1,856
11. Deduct: Imports of Goods and Services	-1,890	-2,164	-2,037	-2,057	-8,148	-1,900	-2,161
12. Residual Error of Estimate	86	199	-87	-101	97	80	152
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	8,125	8,746	9,960	9,128	35,959	8,188	9,009

(1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

(2) For details of defence expenditures see Tables 7 and 16.

(3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

(4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1960 and 1961,
Unadjusted for Seasonality(1)
(millions of dollars)

	1960					1961	
	I	II	III	IV	Year	I	II
1. Personal Expenditure on Consumer							
Goods and Services	5,140	5,578	5,471	6,084	22,273	5,265	5,740
Non-Durable Goods	2,572	2,750	2,827	3,267	11,416	2,639	2,848
Durable Goods	560	737	596	726	2,619	550	738
Services	2,008	2,091	2,048	2,091	8,238	2,076	2,154
5. Government Expenditure on Goods and Services	1,358	1,381	1,788	1,545	6,072	1,414	1,438
6. Business Gross Fixed Capital Formation	1,318	1,616	1,660	1,552	6,146	1,196	1,508
New Residential Construction	295	334	362	359	1,350	265	331
New Non-Residential Construction	446	579	735	637	2,397	407	553
New Machinery and Equipment	577	703	563	556	2,399	524	624
10. Change in Inventories	69	-124	655	-288	312	-31	-225
Non-Farm Business Inventories	340	-27	-112	19	220	204	-52
Farm Inventories and Grain in Commercial Channels	-271	-97	767	-307	92	-235	-173
13. Exports of Goods and Services	1,571	1,657	1,879	1,740	6,847	1,552	1,823
14. Deduct: Imports of Goods and Services	-1,861	-2,102	-1,975	-1,996	-7,934	-1,811	-2,060
15. Residual Error of Estimate	81	186	-82	-94	91	75	142
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	7,676	8,192	9,396	8,543	33,807	7,660	8,366

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, which can be derived by dividing the value figures in Table 2 by the constant dollar figures in Table 3, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLE 4. Sources of Personal Income, by Quarters, 1960 and 1961
(millions of dollars)

	1960					1961	
	I	II	III	IV	Year	I	II
1. Wages, Salaries, and Supplementary Labour Income	4,397	4,622	4,792	4,703	18,514	4,507	4,786
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds	-187	-176	-188	-188	-739	-188	-184
3. Military Pay and Allowances	119	129	127	134	509	129	140
4. Net Income Received by Farm Operators from Farm Production(1)	22	117	979	83	1,201	74	103
5. Net Income of Non-Farm Unincorporated Business	460	550	513	582	2,105	442	547
6. Interest, Dividends, and Net Rental Income of Persons(2)	647	668	658	723	2,696	658	675
Transfer Payments to Persons:							
7. From Government (Excluding Interest)	901	754	712	749	3,116	1,000	826
8. Charitable Contributions by Corporations	10	10	10	10	40	9	10
9. PERSONAL INCOME	6,369	6,674	7,603	6,796	27,442	6,631	6,903

(1) This item differs from line 6 of Table 1 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 5. Disposition of Personal Income, by Quarters, 1960 and 1961

(millions of dollars)

	1960					1961	
	I	II	III	IV	Year	I	II
1. Personal Direct Taxes	557	639	578	584	2,358	574	671
2. Income Taxes	428	548	501	500	1,977	454	584
3. Succession Duties	49	39	32	38	158	37	34
4. Miscellaneous	80	52	45	46	223	83	53
5. Personal Expenditure on Consumer Goods and Services ..	5,377	5,858	5,755	6,419	23,409	5,581	6,079
6. Non-Durable Goods	2,636	2,831	2,922	3,394	11,783	2,740	2,955
7. Durable Goods	586	763	602	736	2,687	560	749
8. Services(1)	2,155	2,264	2,231	2,289	8,939	2,281	2,375
9. Personal Net Saving	435	177	1,270	-207	1,675	476	153
10. Personal Saving Excluding Change in Farm Inventories	665	281	568	144	1,658	714	256
11. Value of Physical Change in Farm Inventories	-230	-104	702	-351	17	-238	-103
12. PERSONAL INCOME	6,369	6,674	7,603	6,796	27,442	6,631	6,903
13. (Personal Disposable Income)(2)	(5,812)	(6,035)	(7,025)	(6,212)	(25,084)	(6,057)	(6,232)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 6. Government Revenue and Expenditure, by Quarters, 1960 and 1961

(millions of dollars)

REVENUE

	1960					1961	
	I	II	III	IV	Year	I	II
1. Direct Taxes - Persons	557	639	578	584	2,358	574	671
2. Federal	447	556	506	507	2,016	461	582
3. Provincial and Municipal	110	83	72	77	342	113	89
4. Direct Taxes - Corporations	328	396	373	352	1,449	287	397
5. Federal	263	317	298	282	1,160	230	318
6. (Federal Tax Collections)	(307)	(406)	(364)	(306)	(1,383)	(302)	(365)
7. Provincial	65	79	75	70	289	57	79
Withholding Taxes:							
8. Federal	23	19	18	17	77	34	26
9. Indirect Taxes	1,120	1,174	1,155	1,174	4,623	1,143	1,196
10. Federal	501	570	541	569	2,181	496	553
11. Provincial and Municipal	619	604	614	605	2,442	647	643
12. Investment Income	233	253	243	331	1,060	234	241
13. Federal	67	86	72	129	354	64	72
14. Provincial and Municipal	166	167	171	202	706	170	169
15. Employer and Employee Contributions to Social Insurance and Government Pension Funds	187	176	188	188	739	188	184
16. Federal	127	115	125	125	492	125	118
17. Provincial and Municipal	60	61	63	63	247	63	66
Transfers from Federal:							
18. Provincial and Municipal	249	247	241	254	991	256	297
19. Total Revenue	2,697	2,904	2,796	2,900	11,297	2,716	3,012
20. Federal	1,428	1,663	1,560	1,629	6,280	1,410	1,669
21. Provincial and Municipal	1,269	1,241	1,236	1,271	5,017	1,306	1,343

TABLE 7. Government Revenue and Expenditure, by Quarters, 1960 and 1961

(millions of dollars)

EXPENDITURE

	1960					1961	
	I	II	III	IV	Year	I	II
1. Goods and Services	1,491	1,533	1,953	1,739	6,716	1,603	1,654
2. Federal	669	647	732	691	2,739	704	726
3. (Defence)	(434)	(349)	(388)	(390)	(1,561)	(438)	(368)
4. Provincial and Municipal	822	886	1,221	1,048	3,977	899	928
5. Transfer Payments to Persons (Excluding Interest on the Public Debt)	901	754	712	749	3,116	1,000	826
6. Federal	581	494	437	471	1,983	602	521
7. Provincial and Municipal	320	260	275	278	1,133	398	305
8. Interest on the Public Debt	230	254	232	333	1,049	224	255
9. Federal	168	169	177	242	756	160	162
10. Provincial and Municipal	62	85	55	91	293	64	93
11. Subsidies	54	58	60	62	234	50	58
12. Federal	52	56	57	57	222	48	56
13. Provincial	2	2	3	5	12	2	2
Transfers to Provincial and Municipal:							
14. Federal	249	247	241	254	991	256	297
15. Total Expenditure	2,925	2,846	3,198	3,137	12,106	3,133	3,090
16. Federal	1,719	1,613	1,644	1,715	6,691	1,770	1,762
17. Provincial and Municipal	1,206	1,233	1,554	1,422	5,415	1,363	1,328
18. Deficit (-) or Surplus (+)	-228	58	-402	-237	-809	-417	-78
19. Federal	-291	50	-84	-86	-411	-360	-93
20. Provincial and Municipal	63	8	-318	-151	-398	-57	15
21. Total Expenditure Minus Deficit or Plus Surplus	2,697	2,904	2,796	2,900	11,297	2,716	3,012
22. Federal	1,428	1,663	1,560	1,629	6,280	1,410	1,669
23. Provincial and Municipal	1,269	1,241	1,236	1,271	5,017	1,306	1,343

TABLE 8. National Saving Account, by Quarters, 1960 and 1961

(millions of dollars)

SOURCE

	1960					1961	
	I	II	III	IV	Year	I	II
1. Personal Net Saving	435	177	1,270	-207	1,675	476	153
2. Business Gross Saving	1,170	1,345	1,312	1,294	5,121	1,013	1,370
3. Undistributed Corporation Profits	179	259	223	163	824	37	276
4. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	1,008	1,091	1,080	1,112	4,291	999	1,069
5. Adjustment on Grain Transactions(1)	-17	-5	9	19	6	-23	25
6. Inventory Valuation Adjustment	-34	-26	-16	19	-57	12	-17
7. Government Surplus (+) or Deficit (-)	-228	58	-402	-237	-809	-417	-78
8. Residual Error of Estimate	-86	-199	88	101	-96	-80	-152
9. Totals	1,257	1,355	2,252	970	5,834	1,004	1,276

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 4.

TABLE 9. National Saving Account, by Quarters, 1960 and 1961

(millions of dollars)

DISPOSITION

	1960					1961	
	I	II	III	IV	Year	I	II
1. Business Gross Fixed Capital Formation	1,411	1,740	1,788	1,673	6,612	1,302	1,643
2. New Residential Construction	317	365	399	395	1,476	291	366
3. New Non-Residential Construction	478	620	787	682	2,567	441	599
4. New Machinery and Equipment	616	755	602	596	2,569	570	678
5. Value of Physical Change in Inventories	68	-112	670	-310	316	-52	-214
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents	-308	-472	-119	-292	-1,191	-326	-305
7. Residual Error of Estimate	86	199	-87	-101	97	80	152
8. Totals	1,257	1,355	2,252	970	5,834	1,004	1,276

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1960					1961	
	I	II	III	IV	Year	I	II
1. Wages, Salaries, and Supplementary Labour Income	18,340	18,396	18,600	18,720	18,514	18,764	19,036
2. Military Pay and Allowances	496	500	504	536	509	540	544
3. Corporation Profits before Taxes and before Dividends paid to Non-Residents(1)	3,344	3,144	3,216	3,096	3,200	2,856	3,216
4. Deduct: Dividends Paid to Non-Residents(2)	-492	-476	-488	-404	-465	-764	-552
5. Rent, Interest, and Miscellaneous Investment Income.	2,376	2,304	2,364	2,404	2,362	2,452	2,416
6. Accrued Net Income of Farm Operators from Farm Production(3)	1,308	1,124	1,164	1,232	1,207	948	880
7. Net Income of Non-Farm Unincorporated Business(4) ..	2,140	2,160	2,060	2,060	2,105	2,020	2,132
8. Inventory Valuation Adjustment	-136	-104	-64	76	-57	48	-68
9. NET NATIONAL INCOME AT FACTOR COST	27,376	27,048	27,356	27,720	27,375	26,864	27,604
10. Indirect Taxes less Subsidies	4,408	4,420	4,320	4,408	4,389	4,496	4,480
11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	4,288	4,260	4,268	4,348	4,291	4,260	4,196
12. Residual Error of Estimate	-68	-172	-104	-40	-96	48	-
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	36,004	35,556	35,840	36,436	35,959	35,668	36,280
14. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators)	(34,696)	(34,432)	(34,676)	(35,204)	(34,752)	(34,720)	(35,400)

- (1) In reports prior to 1961 this item was shown after deduction of dividends paid to non-residents, it is now however inclusive of such dividends. In order to derive series consistent with past published figures, lines 3 and 4 must be combined.
- (2) Includes the withholding tax applicable to this item. Also includes some net profits of non-Canadian non-financial corporations. Since the withholding tax is also part of National Product, it is included again in Rent, Interest and Miscellaneous Investment Income.
- (3) Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.
- (4) Includes net income of independent professional practitioners.

TABLE 11. Gross National Expenditure, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates

(millions of dollars)

	1960					1961	
	I	II	III	IV	Year	I	II
1. Personal Expenditure on Consumer Goods and Services ...	22,896	23,376	23,420	23,944	23,409	23,856	24,180
2. Government Expenditure on Goods and Services(1)	6,488	6,620	6,832	6,924	6,716	6,988	7,188
3. Business Gross Fixed Capital Formation(2)	6,916	6,384	6,500	6,648	6,612	6,420	6,128
4. New Residential Construction	1,640	1,396	1,444	1,424	1,476	1,512	1,436
5. New Non-Residential Construction	2,608	2,476	2,584	2,600	2,567	2,416	2,416
6. New Machinery and Equipment	2,668	2,512	2,472	2,624	2,569	2,492	2,276
7. Value of Physical Change in Inventories	752	424	-132	220	316	-316	-384
8. Non-Farm Business Inventories	648	336	-176	108	229	28	148
9. Farm Inventories and Grain in Commercial Channels(3)	104	88	44	112	87	-344	-532
10. Exports of Goods and Services	7,172	6,676	7,168	6,812	6,957	7,148	7,252
11. Deduct: Imports of Goods and Services	-8,292	-8,100	-8,052	-8,148	-8,148	-8,384	-8,084
12. Residual Error of Estimate	72	176	104	36	97	-44	-
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	36,004	35,556	35,840	36,436	35,959	35,668	36,280

(1) See footnote 1, Table 2.

(2) See footnote 3, Table 2.

(3) Detail of Farm Inventories and GICC:

Value of grain crop production	1,016	1,016	1,016	1,020	1,017	568	568
Depletions of farm stocks of grain	-908	-1,016	-1,168	-964	-1,014	-1,028	-1,060
Change in livestock inventories	92	-92	16	40	14	80	96
Grain in Commercial Channels	-96	180	180	16	70	36	-136

	1960					1961	
	I	II	III	IV	Year	I	II
Value of grain crop production	1,016	1,016	1,016	1,020	1,017	568	568
Depletions of farm stocks of grain	-908	-1,016	-1,168	-964	-1,014	-1,028	-1,060
Change in livestock inventories	92	-92	16	40	14	80	96
Grain in Commercial Channels	-96	180	180	16	70	36	-136

In the seasonally adjusted series, the value of grain crop production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 3, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 12. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1960 and 1961(1)
Seasonally Adjusted at Annual Rates

(millions of dollars)

	1960					1961	
	I	II	III	IV	Year	I	II
1. Personal Expenditure on Consumer Goods and Services	21,880	22,288	22,292	22,632	22,273	22,528	22,876
2. Non-Durable Goods	11,192	11,488	11,516	11,468	11,416	11,528	11,764
3. Durable Goods	2,580	2,572	2,500	2,824	2,619	2,580	2,628
4. Services	8,108	8,228	8,276	8,340	8,238	8,420	8,484
5. Government Expenditure on Goods and Services	5,936	6,000	6,188	6,164	6,072	6,184	6,304
6. Business Gross Fixed Capital Formation	6,468	5,932	6,020	6,164	6,146	5,908	5,628
7. New Residential Construction	1,520	1,276	1,316	1,288	1,350	1,368	1,304
8. New Non-Residential Construction	2,440	2,316	2,404	2,428	2,397	2,236	2,232
9. New Machinery and Equipment	2,508	2,340	2,300	2,448	2,399	2,304	2,092
10. Change in Inventories	740	428	-136	216	312	-228	-320
11. Non-Farm Business Inventories	640	332	-192	100	220	60	160
12. Farm Inventories and Grain in Commercial Channels	100	96	56	116	92	-288	-480
13. Exports of Goods and Services	7,100	6,548	7,036	6,704	6,847	7,036	7,132
14. Deduct: Imports of Goods and Services	-8,212	-7,888	-7,760	-7,876	-7,934	-8,040	-7,728
15. Residual Error of Estimate	68	168	96	32	91	-40	-
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	33,980	33,476	33,736	34,036	33,807	33,348	33,892

(1) See also footnote 1, Table 3.

TABLE 13. Sources of Personal Income, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates

(millions of dollars)

	1960					1961	
	I	II	III	IV	Year	I	II
1. Wages, Salaries, and Supplementary Labour Income ..	18,340	18,396	18,600	18,720	18,514	18,764	19,036
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds ...	-728	-732	-748	-748	-739	-736	-764
3. Military Pay and Allowances	496	500	504	536	509	540	544
4. Net Income Received by Farm Operators from Farm Production(1)	1,296	1,100	1,180	1,228	1,201	956	756
5. Net Income of Non-Farm Unincorporated Business	2,140	2,160	2,060	2,060	2,105	2,020	2,132
6. Interest, Dividends, and Net Rental Income of Persons(2)	2,692	2,644	2,680	2,768	2,696	2,728	2,724
Transfer Payments to Persons:							
7. From Government (excluding interest)	2,920	3,056	3,208	3,280	3,116	3,256	3,332
8. Charitable Contributions by Corporations	40	40	40	40	40	36	40
9. PERSONAL INCOME	27,196	27,164	27,524	27,884	27,442	27,564	27,800

(1) This item differs from line 6, Table 10 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 14. Disposition of Personal Income, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates

(millions of dollars)

	1960					1961	
	I	II	III	IV	Year	I	II
1. Personal Direct Taxes	2,240	2,476	2,336	2,380	2,358	2,376	2,524
2. Income Taxes	1,820	2,104	1,992	1,992	1,977	1,996	2,172
3. Succession Duties	196	156	128	152	158	148	136
4. Miscellaneous	224	216	216	236	223	232	216
5. Personal Expenditure on Consumer Goods and Services	22,896	23,376	23,420	23,944	23,409	23,856	24,180
6. Non-Durable Goods	11,516	11,824	11,848	11,944	11,783	12,008	12,188
7. Durable Goods	2,664	2,652	2,564	2,868	2,687	2,592	2,652
8. Services(1)	8,716	8,900	9,008	9,132	8,939	9,256	9,340
9. Personal Net Saving	2,060	1,312	1,768	1,560	1,675	1,332	1,096
10. PERSONAL INCOME	27,196	27,164	27,524	27,884	27,442	27,564	27,800
11. (Personal Disposable Income)(2)	(24,956)	(24,688)	(25,188)	(25,504)	(25,084)	(25,188)	(25,276)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 15. Government Revenue and Expenditure, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates

(millions of dollars)

REVENUE

	1960					1961	
	I	II	III	IV	Year	I	II
1. Direct Taxes - Persons	2,240	2,476	2,336	2,380	2,358	2,376	2,524
2. Federal	1,892	2,132	2,016	2,024	2,016	2,020	2,160
3. Provincial and Municipal	348	344	320	356	342	356	364
4. Direct Taxes - Corporations	1,524	1,436	1,408	1,428	1,449	1,344	1,448
5. Federal	1,232	1,148	1,124	1,136	1,160	1,084	1,156
6. (Federal Tax Collections)	(1,276)	(1,520)	(1,424)	(1,312)	(1,383)	(1,260)	(1,292)
7. Provincial	292	288	284	292	289	260	292
Withholding Taxes:							
8. Federal	76	80	76	76	77	112	112
9. Indirect Taxes	4,628	4,644	4,564	4,656	4,623	4,708	4,712
10. Federal	2,192	2,204	2,132	2,196	2,181	2,168	2,132
11. Provincial and Municipal(1)	2,436	2,440	2,432	2,460	2,442	2,540	2,580
12. Investment Income	1,072	1,040	1,040	1,088	1,060	1,060	1,016
13. Federal	368	348	332	368	354	348	308
14. Provincial and Municipal	704	692	708	720	706	712	708
15. Employer and Employee Contributions to Social Insurance and Government Pension Funds	728	732	748	748	739	736	764
16. Federal	488	488	496	496	492	484	500
17. Provincial and Municipal	240	244	252	252	247	252	264
Transfers from Federal:							
18. Provincial and Municipal	960	996	972	1,036	991	996	1,168
19. Total Revenue	11,228	11,404	11,144	11,412	11,297	11,332	11,744
20. Federal	6,248	6,400	6,176	6,296	6,280	6,216	6,368
21. Provincial and Municipal	4,980	5,004	4,968	5,116	5,017	5,116	5,376

(1) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward, this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 16. Government Revenue and Expenditure, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates

(millions of dollars)

EXPENDITURE

	1960					1961	
	I	II	III	IV	Year	I	II
1. Goods and Services	6,488	6,620	6,832	6,924	6,716	6,988	7,188
2. Federal	2,700	2,676	2,800	2,780	2,739	2,888	2,988
3. (Defence)	(1,528)	(1,548)	(1,592)	(1,576)	(1,561)	(1,564)	(1,632)
4. Provincial and Municipal	3,788	3,944	4,032	4,144	3,977	4,100	4,200
5. Transfer Payments to Persons (excluding Interest on the Public Debt)	2,920	3,056	3,208	3,280	3,116	3,256	3,332
6. Federal	1,896	1,896	2,060	2,080	1,983	1,976	2,024
7. Provincial and Municipal	1,024	1,160	1,148	1,200	1,133	1,280	1,308
8. Interest on the Public Debt	1,064	1,032	1,004	1,096	1,049	1,032	1,032
9. Federal	764	752	708	800	756	724	720
10. Provincial and Municipal	300	280	296	296	293	308	312
11. Subsidies	220	224	244	248	234	212	232
12. Federal	208	212	232	236	222	200	220
13. Provincial	12	12	12	12	12	12	12
Transfers to Other Levels of Government:							
14. Federal	960	996	972	1,036	991	996	1,168
15. Total Expenditure	11,652	11,928	12,260	12,584	12,106	12,484	12,952
16. Federal	6,528	6,532	6,772	6,932	6,691	6,784	7,120
17. Provincial and Municipal	5,124	5,396	5,488	5,652	5,415	5,700	5,832
18. Deficit (-) or Surplus (+)	-424	-524	-1,116	-1,172	-809	-1,152	-1,208
19. Federal	-280	-132	-596	-636	-411	-568	-752
20. Provincial and Municipal	-144	-392	-520	-536	-398	-584	-456
21. Total Expenditure Minus Deficit or Plus Surplus	11,228	11,404	11,144	11,412	11,297	11,332	11,744
22. Federal	6,248	6,400	6,176	6,296	6,280	6,216	6,368
23. Provincial and Municipal	4,980	5,004	4,968	5,116	5,017	5,116	5,376

TABLE 17. National Saving Account, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

	SOURCE						
	1960					1961	
	I	II	III	IV	Year	I	II
1. Personal Net Saving	2,060	1,312	1,768	1,560	1,675	1,332	1,096
2. Business Gross Saving	5,188	5,048	5,104	5,144	5,121	4,548	5,092
3. Undistributed Corporation Profits	888	764	852	792	824	296	772
4. Capital Consumption Allowances, etc.	4,288	4,260	4,268	4,348	4,291	4,260	4,196
5. Adjustment on Grain Transactions(1)	12	24	-16	4	6	-8	124
6. Inventory Valuation Adjustment	-136	-104	-64	76	-57	48	-68
7. Government Surplus (+) or Deficit (-)	-424	-524	-1,116	-1,172	-809	-1,152	-1,208
8. Residual Error of Estimate	-68	-172	-104	-40	-96	48	-
9. Totals	6,620	5,560	5,588	5,568	5,834	4,824	4,912

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 4.

TABLE 18. National Saving Account, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

	DISPOSITION						
	1960					1961	
	I	II	III	IV	Year	I	II
1. Business Gross Fixed Capital Formation	6,916	6,384	6,500	6,648	6,612	6,420	6,128
2. New Residential Construction	1,640	1,396	1,444	1,424	1,476	1,512	1,436
3. New Non-Residential Construction	2,608	2,476	2,584	2,600	2,567	2,416	2,416
4. New Machinery and Equipment	2,668	2,512	2,472	2,624	2,569	2,492	2,276
5. Value of Physical Change in Inventories	752	424	-132	220	316	-316	-384
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents	-1,120	-1,424	-884	-1,336	-1,191	-1,236	-832
7. Residual Error of Estimate	72	176	104	36	97	-44	-
8. Totals	6,620	5,560	5,588	5,568	5,834	4,824	4,912

CATALOGUE No.

13-001

QUARTERLY



Canada. Statistics, Bureau of

**NATIONAL ACCOUNTS;
INCOME AND EXPENDITURE
THIRD QUARTER
1961**

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In order to obtain a complete historical record of the current dollar quarterly National Accounts, the following publications should be consulted:

"National Accounts, Income and Expenditure, by
Quarters, 1947-1957", for the years 1947-1954.

"National Accounts, Income and Expenditure,
Fourth Quarter and Preliminary Annual, 1960",
for the years 1955-1959.

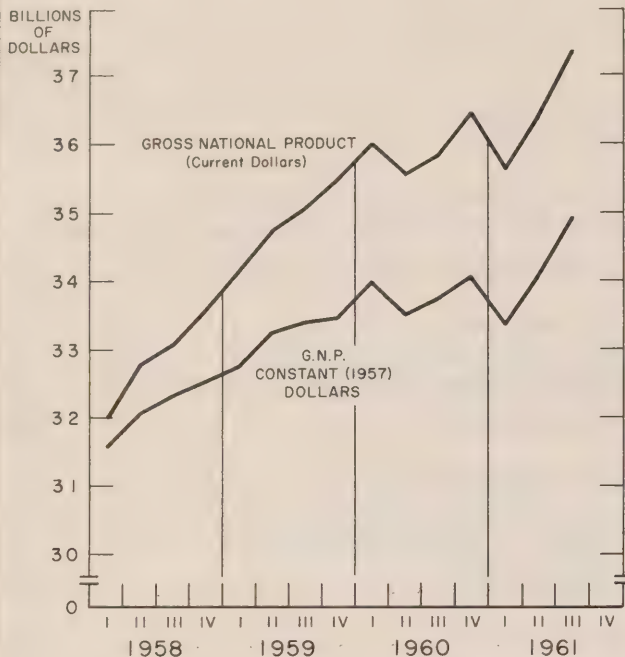
The historical record of the recently introduced series of Gross National Expenditure in Constant (1957) Dollars, both unadjusted and adjusted for seasonal variation, may be found in the publication:

"National Accounts, Income and Expenditure,
First Quarter 1961"

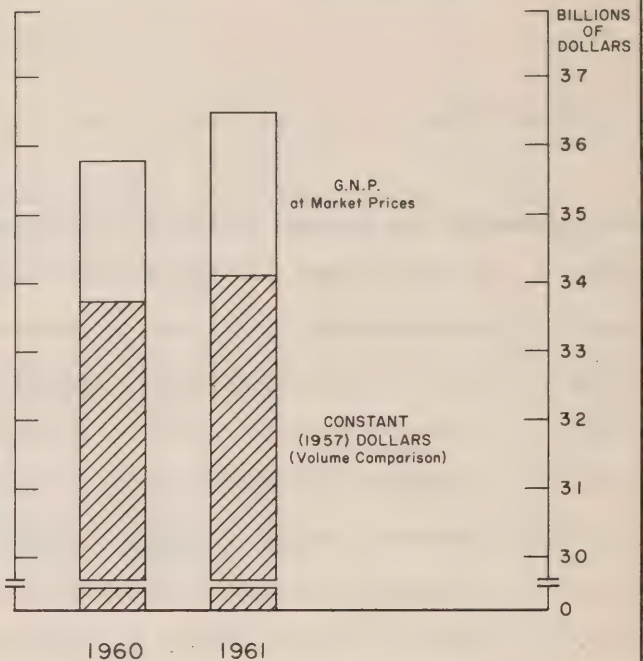
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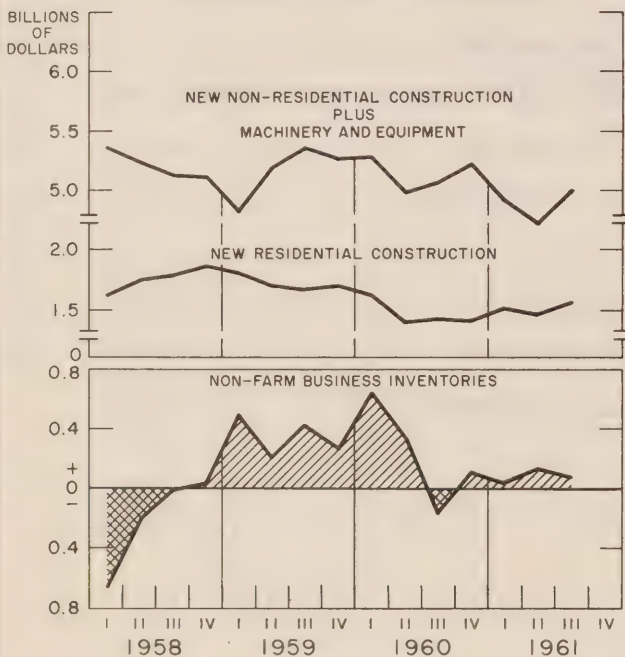
G.N.P. MADE A STRONG ADVANCE
IN THE THIRD QUARTER,
RISING BY 2.7 PER CENT



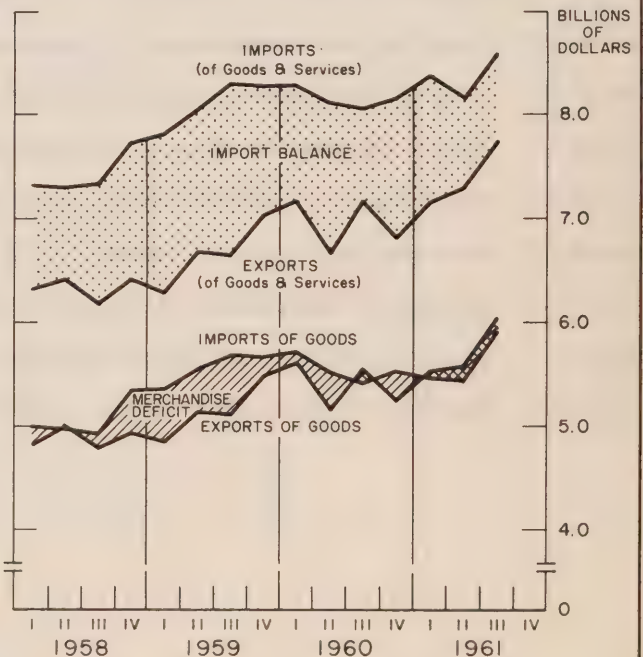
THE VALUE INCREASE IN THE FIRST NINE MONTHS
AMOUNTED TO 2 PER CENT OVER THE SAME
PERIOD OF 1960, WITH THE VOLUME OF
PRODUCTION UP BY ABOUT 1 PER CENT



BUSINESS OUTLAYS FOR PLANT AND EQUIPMENT
TURNED UPWARD IN THE THIRD QUARTER,
FOLLOWING A 2-QUARTER DECLINE. OUTLAYS
FOR NEW HOUSING WERE ALSO HIGHER. ADDITIONS
TO INVENTORY STOCKS CONTINUED TO BE
MADE, BUT AT A MODEST RATE



THE TOTAL DEFICIT ON CURRENT ACCOUNT SHOWED
LITTLE CHANGE IN THE THIRD QUARTER.
THE SURPLUS ON MERCHANDISE ACCOUNT
CONTINUED AT THE SECOND QUARTER LEVEL



(IN ALL CHARTS DATA ARE SEASONALLY ADJUSTED AT ANNUAL RATES)

INTRODUCTORY REVIEW

Canada's Gross National Product, seasonally adjusted, rose by 2.7 per cent in the third quarter of 1961, continuing the upward trend which was resumed in the second quarter of the year after a brief interruption. The gain was the largest quarter-to-quarter advance for some time, and was almost wholly accounted for by an increase in the physical volume of output; the price index of total Gross National Product remained relatively unchanged in the quarter(1). This most recent gain in output has raised the physical volume of production to a level about 3 per cent above the first quarter of 1960, which marked the peak of the last business cycle expansion.

The production advance in the third quarter was supported by a substantial increase in labour income, the largest since 1959, and a further marked advance in corporation profits, bringing them above the peak level of the fourth quarter of 1959. National income rose by 4 per cent. On the demand side, the expansion in total final purchases was one of the largest on record (see Table of page 6). All components of the Gross National Expenditure were rising in the quarter, with the exception of business inventories, where the rate of accumulation was moderately lower, and agricultural inventories which were affected by a poor crop out-turn in Western Canada(2). In particular, the reversal of a two-quarter down-trend in business outlays for new plant and equipment added a sizeable element of renewed strength to total final demand in the quarter. Outlays for new housing were also higher, following the small second quarter decline. Transactions on current international account exerted a neutral effect, however, as the rise in exports of goods and services was matched by a corresponding rise in imports, and the deficit remained unchanged. Government and consumer outlays continued to provide an expansionary influence on the total flow of expenditures in the economy.

With nine months data now available, it is possible to suggest an order of magnitude for the year 1961 as a whole. In the first nine months of the year, Gross National Product has averaged about 2 per cent above the same period of 1960. The rise in final product prices between the two periods has amounted to about 1 per cent, so that in physical volume terms production was up over a year ago by about 1 per cent. The post-war average increase in the physical volume of output has amounted to approximately 4 per cent per year.

These nine months' comparisons, in terms of the value, volume and price change over the year, are shown in the lower part of the Table on page 7 (Column (1)); figures are also given for the main components of demand.

-
- (1) Import prices rose sharply in the third quarter, reflecting the drop in the exchange rate on the Canadian dollar; however, since imports are excluded from the Gross National Product, this development was not reflected in the price component of total Gross National Product.
 - (2) The value of crop production in 1961 is estimated at just below \$600 million, compared with about \$1000 million for the year 1960. For the treatment of this item in the seasonally adjusted data, see Footnote 3, Table 11.

Quarter to Quarter Changes in Final Purchases

(Seasonally Adjusted at Annual Rates)

(\$ millions)

	1Q'58	2Q'58	3Q'58	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59	1Q'60	2Q'60	3Q'60	4Q'60	1Q'61	2Q'61
	to	to	to	to	to	to	to	to	to	to	to	to	to	to
	2Q'58	3Q'58	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59	1Q'60	2Q'60	3Q'60	4Q'60	1Q'61	2Q'61	3Q'61
1. Personal Expenditure	280	284	480	320	156	300	332	-24	480	44	524	-88	324	380
2. Government Expenditure	264	104	-4	88	172	-208	60	88	132	212	92	64	200	188
3. Residential Construction	136	36	76	-68	-84	-32	36	-84	-244	48	-20	88	-32	88
4. Non-Residential Construction	-4	-76	-96	-220	124	16	32	-44	-132	108	16	-184	16	120
5. Machinery and Equipment	-116	-36	88	-84	256	148	-124	52	-156	-40	152	-132	-200	156
6. Exports	104	-248	248	-136	404	-24	372	128	-496	492	-356	336	152	452
7. Total Final Purchases	664	64	792	-100	1,028	200	708	116	-416	864	408	84	460	1,384
8. (Final Domestic Demand)	(560)	(312)	(544)	(36)	(624)	(224)	(336)	(-12)	(80)	(372)	(764)	(-252)	(308)	(932)

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in Non-Farm Business Inventories	460	192	32	464	-280	212	-148	372	-312	-512	284	-80	112	-68
10. Imports	-20	44	400	80	232	248	-12	4	-192	-48	96	236	-228	440
11. GNP (ex. farm)	748	384	452	552	684	232	624	216	-264	244	528	-484	736	892

Constant (1957) Dollars

Quarter to Quarter Percentage Changes in Selected Items

12. Final Domestic Demand	0.8	0.8	0.9	-0.5	1.4	0.3	0.1	-0.3	-0.2	0.8	1.3	-1.0	0.8	2.1
13. Total Final Purchases	1.0	0.1	1.2	-0.8	2.2	0.1	1.0	0.1	-1.5	1.9	0.3	-	1.0	2.5
14. Gross National Expenditure	1.4	0.9	0.6	0.8	1.4	0.5	0.2	1.5	-1.5	0.8	0.9	-2.0	2.1	2.6

Percentage Changes in Components of Gross National Expenditure(1)

	9 Months 1960 to 9 Months 1961	4Q 1960 to 1Q 1961	1Q 1961 to 2Q 1961	2Q 1961 to 3Q 1961
	Col. (1)	Col. (2)	Col. (3)	Col. (4)
Personal Expenditure	4.2	- 0.4	1.4	1.6
Government Expenditure	8.1	0.9	2.9	2.6
Residential Construction	1.8	6.2	- 2.1	5.9
Non-Residential Construction	- 3.5	- 7.1	0.7	4.9
Machinery and Equipment	- 5.5	- 5.0	- 8.0	6.8
Exports	5.6	4.9	2.1	6.2
Total Final Demand	3.9	0.2	1.0	3.1
Inventories	(-\$0.9 b.)	(-\$0.5 b.)	-	(-\$0.2 b.)
(Business Only).....	(-\$0.2 b.)	(-\$0.1 b.)	(\$0.1 b.)	(-\$0.1 b.)
Imports	2.8	2.9	- 2.7	5.4
Gross National Expenditure (Value) (2) ..	1.9	- 2.1	2.0	2.7
Price Component	0.8	- 0.1	- 0.1	0.1
Volume Component	1.1	- 2.0	2.1	2.6

(1) Based on data seasonally adjusted at annual rates.

(2) Erratic movements in interest and dividend transactions with other countries affected the change in Gross National Product in the first and second quarters. For details, see Table on page 12.

While these annual comparisons provide a useful setting for viewing the year 1961 in perspective, they conceal to a considerable extent the evidence of developing strength which became markedly apparent toward the end of the year. The above Table also shows percentage changes in terms of the quarter-to-quarter movements of the seasonally adjusted figures through the first three quarters of this year. It is evident from Columns (2), (3), and (4) that, as the year progressed, greater strength was becoming apparent in the components of total final demand, and in the third quarter the advance in Gross National Product, both in value and in volume terms, was the largest quarter-to-quarter gain for several years. The third quarter figure of Gross National Product was running at a seasonally adjusted annual rate about \$1.0 billion higher than the nine-month average.

The flow of income to the personal, business and government sectors was also rising throughout the year, although the year-to-year changes, averaged out over the nine months, were in most cases of rather modest proportions. Corporation profits, for example, show little change on the year-to-year basis, but as the Table on the following page indicates, the increases in this component of income in the second and third quarter of 1961 were unusually sharp.

Percentage Changes in Major Income Components(1)

	9 Months 1960 to 9 Months 1961	4Q 1960 to 1Q 1961	1Q 1961 to 2Q 1961	2Q 1961 to 3Q 1961
	Col. (1)	Col. (2)	Col. (3)	Col. (4)
Wages, Salaries, and Supplementary Labour Income	3.5	0.2	1.5	2.2
Transfer Payments	9.1	-0.7	2.3	2.9
Personal Income	2.8	-1.1	1.2	2.9
Corporation Profits (Before Dividends)	-0.8	-7.8	12.6	10.4
Rents, Interest, and Miscellaneous Invest- ment Income	5.8	2.0	-1.5	7.0
Net Income of Non-Farm Unincorporated Business	0.5	-1.9	6.9	2.4
National Income	1.8	-3.1	3.1	3.7
Selected Government Revenues (All Levels of Government)				
Direct Personal Taxes	5.1	-0.2	6.2	-0.5
Corporation Tax Liabilities	0.5	-5.9	7.7	10.2
Indirect Taxes	3.1	1.1	0.1	2.8

(1) Based on data seasonally adjusted at annual rates.

DEVELOPMENTS IN THE THIRD QUARTER

Production by Industry

Indicators of the volume of output show an increase of about 2 1/2 per cent from the second to the third quarter of 1961, after allowing for seasonal factors. The quickening tempo of economic activity was apparent in almost all industry groups but was particularly evident in the goods-producing industries where the impact of the down-turn had been chiefly felt. Output in this group was up about 3 1/2 per cent, as opposed to an increase of less than 1 1/2 per cent in the service-producing industries. Non-farm output of goods and services is estimated to have risen in excess of 2 per cent.

Manufacturing production, seasonally adjusted, advanced by 3 1/2 per cent in the third quarter. This development brought the index of manufacturing output to a point more than 1 per cent above its previous peak in the first quarter of 1960, and 5 per cent above the level of the first quarter of 1961. While the major share of the advance in the third quarter came in the durable segment of manufacturing production (up 4.6 per cent), this index was still about 5 per cent below its record peak reached in the last quarter of 1956.

Most of the durable goods industries contributed to the large increase in the output of the durable goods group. The biggest gain occurred in the transportation equipment industry where production rose by 12 per cent, reflecting increased output in the automotive industry, and also in ship-building, which had been affected by strikes in the second quarter; activity in the aircraft industry was somewhat lower. Almost all component groups in the iron and steel industry, and especially the iron castings and primary iron and steel group, contributed to the 6 per cent rise in output in this industry during the quarter. Production in the wood products group and electrical apparatus and supplies group, was up by 3 and 5 per cent respectively in the quarter. On the other hand, production of non-ferrous metal products declined by 4 per cent and output of non-metallic mineral products was slightly lower.

The non-durable manufacturing industries also showed widespread strength in the quarter, rising by 2.3 per cent on a seasonally adjusted basis. The increase brought the index to a level some 3 1/2 per cent above the previous peak reached in the first quarter of 1960. The gains in production ranged from 1 per cent in chemicals and leather products to 8 per cent in clothing. Reduced oil refining activity caused the petroleum products industry group to decline by 3 per cent. Production of tobacco products was also down by 2 per cent.

In spite of substantial changes within the components of the mining industry, there was no change in the total level of output of this industry in the third quarter. Iron ore and uranium production were down sharply, but these declines were offset by gains in nickel, lead and zinc. Output of crude petroleum was up slightly from the high level of the second quarter.

The downward trend of output in the construction industry was reversed in the third quarter when construction put in place is estimated to have risen 4 1/2 per cent. Both housing construction and non-residential construction activity showed substantial gains.

Within the service industries, gains in output in the third quarter were all comparatively small, ranging between 1 or 2 per cent for most service industry groups.

Employment

Non-farm employment as estimated by the Labour Force Survey rose by about one-half of 1 per cent from the second to the third quarter, on a seasonally adjusted basis. In conjunction with a gain in real output in the non-farm sector estimated at more than 2 per cent, some increase in output per worker is suggested. The total labour force declined more than seasonally in the third quarter, and there was a decline in the unemployment rate -- from 7.5 per cent of the labour force in the second quarter, to 6.9 per cent in the third, on a seasonally adjusted basis. This is the second successive decline in quarterly rates of unemployment from the level prevailing at the beginning of the year.

Value, Volume and Price Comparisons

As has been noted, the price component of total Gross National Product showed very little change between the second and third quarters of 1961. However, as the following Table indicates, the price of imported goods and services was significantly higher in the third quarter, by about 3 per cent, reflecting the effects of the decline in the exchange rate on the Canadian dollar. This development on the import side has to some extent been reflected in the price component of total final demand, some categories of which have a substantial import content. For example, the import content of machinery and equipment is estimated at close to 50 per cent of the total value put in place, and this particular component of the Gross National Expenditure reflects the effect of increased import prices associated with the exchange rate decline. The price of consumer goods and services increased only fractionally in the quarter, and the rise in import prices does not as yet appear to have had any significant effect on the price of consumer goods sold at retail. The introduction of a 3 per cent retail sales tax by the Province of Ontario in September is reflected in the slight increase in prices at the consumer level.

The price component of exports of goods and services has shown a significant rise between the second and third quarters. Canadian wholesale price indexes for some major primary commodities that enter into international trade (and whose prices are set in world markets) rose sharply in the third quarter; prices of woodpulp, by 3 1/2 per cent, newsprint by 4 per cent, and grains by 10 per cent. These price increases are related, in part to the new exchange rate situation, and in part to changes in the world supply situation. It is possible that the effects of the decline in the exchange rate have not yet been fully reflected in export prices.

On balance, the rise in import prices has had little effect on the price component of total Gross National Product, since imported goods and services are excluded, by definition, from Canada's Gross National Product. The following Table shows the effect of price developments in these various categories in the third quarter of 1961.

Percent Changes, Value, Volume and Price(1)

	2nd Quarter 1961 to 3rd Quarter 1961			9 Months 1960 to 9 Months 1961		
	<u>Value</u>	<u>Volume</u>	<u>Price(2)</u>	<u>Value</u>	<u>Volume</u>	<u>Price(2)</u>
Personal Expenditure	1.6	1.3	0.3	4.2	3.2	1.0
Goods	2.0	1.9	0.2	3.5	3.1	0.4
Services	0.9	0.3	0.6	5.2	3.3	1.9
Government Expenditure	2.6	2.5	0.1	8.1	4.7	3.3
Gross Fixed Capital Formation	5.9	5.1	0.7	-3.1	-4.4	1.3
New Residential Construction	5.9	5.7	0.2	1.8	0.5	1.4
New Non-Residential Construction	4.9	5.1	-0.2	-3.5	-4.1	0.7
New Machinery and Equipment	6.8	4.7	2.0	-5.5	-7.4	2.0
Exports of Goods and Services	6.2	4.4	1.8	5.6	4.7	0.9
Total Final Demand	3.1	2.5	0.6	3.9	2.5	1.3
Imports of Goods and Services	5.4	2.3	3.1	2.8	-0.4	3.3
Gross National Expenditure	2.7	2.6	0.1	1.9	1.1	0.8

- (1) Seasonally adjusted at annual rates.
 (2) The price comparisons shown above are based on the implicit price deflators which can be derived by dividing the value series by the volume series.

Business Gross Fixed Capital Formation

Considerable strength developed in the capital sector in the third quarter, as investment outlays rose by 6 per cent above the second quarter level, on a seasonally adjusted basis. The rate of increase was about the same for all three components. The reversal of the downward movement in total capital outlays took place against a background of sharply rising profits and a higher level of industrial production. The expansion in demand for fixed capital goods brought about a 3 per cent rise in employment in the construction industry and an increase of over 5 per cent in domestic shipments of both capital goods and construction materials. Although commodity detail is not yet available for the full quarter, it is probable that part of the increase in demand for capital goods in the quarter was met out of the rise in imports.

Business outlays for plant and equipment in the third quarter were running at a seasonally adjusted annual rate of \$5.0 billion, with an increase over the second quarter of 7 per cent in the case of expenditures for machinery and equipment and 5 per cent for non-residential construction. There is some evidence of a shift of emphasis within the non-residential component toward engineering construction and away from building construction.

The relative slowness in non-residential construction in the spring months, in part, was the result of unfavourable weather conditions in Eastern Canada at the start of the construction season accentuated by a major work stoppage in June. In the third quarter construction conditions were much more favourable and the recovery in activity reflected a catching up on work delayed earlier in the year, as well as the reaction to more favourable economic conditions. In addition, a concentration of the pipeline construction work in this quarter contributed to the relative strength shown in engineering construction and added to the general recovery.

Outlays for new housing in the third quarter are estimated at a seasonally adjusted annual rate of \$1.6 billion, 6 per cent higher than the second quarter level. Much of this advance in expenditures came from completions, which were up more than 17 per cent, reflecting the high level of starts prevailing in the opening months of the year. However, starts in the third quarter were also up a little, by over 2 per cent, and thus made some contribution to the advance in outlays.

Investment in Inventories

The sharp expansion in activity in the third quarter was based entirely on the rise in final demand (see Table, p. 6), and did not involve any acceleration in the rate of inventory stock building. In fact, investment in business inventories amounted to only \$72 million in the third quarter (at seasonally adjusted annual rates), compared with a modest but somewhat larger buildup of \$140 million in the

preceding period, as is shown in the accompanying Table. All the increase in stocks took place in retail trade; manufacturing industries continued to draw down their stocks for the third quarter in succession, while wholesale trade and other industries shifted from accumulation to liquidation.

Among manufacturing industries the major part of the quarter's drawing down of stocks took place in the durable goods group. Liquidation was fairly general throughout this group except for iron and steel and non-metallic mineral products industries, both of which began to build up inventories in contrast to the situation in the two preceding quarters. Among the non-durables there was a fairly substantial build-up of stocks in the tobacco industry and a heavy drawing down in the petroleum industry.

At the end of the quarter, the ratio of stocks to sales in total manufacturing was virtually the same as existed one year earlier. However, the ratio for durables, where shipments increased sharply in the quarter, was substantially reduced, while the ratio for non-durables, where there was only a small increase in shipments, was somewhat higher. During the quarter, new orders in manufacturing industries rose by more than 5 per cent, with a slight increase in new orders for capital goods (excluding transportation equipment), and a 4 per cent increase in new orders for construction materials.

Change in Non-Farm Business Inventories
(Seasonally Adjusted at Annual Rates)
(Millions of Dollars)

	<u>1Q 1961</u>	<u>2Q 1961</u>	<u>3Q 1961</u>
Manufacturing	- 24	- 60	- 84
Durables	-180	4	- 52
Non-Durables	156	- 64	- 32
Retail Trade	- 64	20	204
Motor Vehicle Dealers	-124	44	20
Other	60	- 24	184
Wholesale Trade	68	16	- 4
Other Industries	48	164	- 44
Grand Total	28	140	72

There was a substantial accumulation of stocks in the hands of retail traders in the third quarter in contrast to only a modest accumulation in the second. The movement of stocks in the individual trades was mixed. Much of the accumulation in the durable groups is accounted for by stocks in the hands of farm implement dealers. Stocks of food largely account for a substantial build-up in the non-durable group.

In wholesale trade, stocks were drawn down slightly in the third quarter, in contrast to a small accumulation in the second quarter. This liquidation was the outcome of almost offsetting accumulation in stocks of durable goods and liquidation in stocks of non-durables.

Exports and Imports of Goods and Services

At a seasonally adjusted annual rate of \$7.8 billion, exports of goods and services in the third quarter were up more than 6 per cent from the second quarter level, following the much more moderate 2 per cent increase in the preceding period. At the same time, imports of goods and services rose to \$8.6 billion, an increase of 5 1/2 per cent, in contrast with the decline of 2 1/2 per cent in the preceding quarter. The deficit on current international account remained unchanged between the two quarters, at approximately \$0.8 billion, on the National Accounts basis. The merchandise account recorded a small surplus for the third quarter in succession, after having been in deficit for many years; the last full year in which a merchandise surplus was recorded was in 1954. Payments and receipts on service account showed little change in the third quarter, in contrast to the two preceding quarters, when sharp but erratic changes on interest and dividend account caused the deficit on services to widen suddenly in the early part of the year, and to narrow again in the second quarter.

Exports and Imports of Merchandise and Services
(Seasonally Adjusted at Annual Rates)

	4Q 1960	1Q 1961	2Q 1961	3Q 1961	% Change 2Q to 3Q
(millions of dollars)					
<u>Exports:</u>					
Merchandise	5,264	5,548	5,588	6,052	8.3
Services (including interest and dividend receipts)	1,548	1,600	1,712	1,700	- 0.7
Total	6,812	7,148	7,300	7,752	6.2
<u>Imports:</u>					
Merchandise	5,540	5,468	5,448	5,908	8.4
Services (including interest and dividend payments)	2,608	2,916	2,708	2,688	- 0.7
Total	8,148	8,384	8,156	8,596	5.4

Merchandise exports rose by more than 8 per cent in the third quarter and were particularly strong in the months of July and September. It is not yet possible to identify all of the items responsible for this large increase, but shipments of wheat were a very important factor; exports of copper and nickel were also higher in the quarter. The pick-up of exports to the United States was particularly important in raising the level of total exports in the third quarter. At the same time, merchandise imports rose more than 8 per cent. Full commodity detail is not yet available for imports but the upsurge comes at a time when investment in plant and equipment appears to be recovering, and consumer spending showing greater strength, particularly for durables.

The changes in the service account were for the most part small and, as is mentioned above, virtually offsetting. However, receipts from interest and dividends dropped sharply from the irregularly high second quarter level, and there was a considerable expansion in receipts from freight and shipping.

Personal Expenditure on Consumer Goods and Services

Consumer spending in the third quarter is estimated to have been \$24.6 billion (seasonally adjusted at annual rates), about 1 1/2 per cent higher than in the second quarter. This is about the same rate of increase as in the preceding period, and considerably below the 3 per cent rise in disposable income.

Much of the strength in consumer spending in the third quarter came from purchases of durable goods which were up 6 1/2 per cent from the previous quarter. There were increased purchases of all the categories of durables but the major increase was in purchases of new and used cars which were up by 9 per cent. Purchases of British and European cars increased sharply, reversing the downward movement evident in the two preceding quarters; the level of expenditure here, however, was below that registered in any quarter of the previous year. Among other durables, sales of radios and appliances were up 8 per cent in the quarter and of home furnishings and furniture 5 and 3 per cent respectively.

Expenditure on non-durables increased by 1 per cent in the quarter, with moderate increases in most categories. Spending on services was higher by 1 per cent.

The Government Sector

The deficit on consolidated government account (on the National Accounts basis) remained virtually unchanged between the second and third quarters of 1961, at a seasonally adjusted rate of \$1.2 billion. However, there was a marked narrowing of the deficit at the Federal level, from \$0.8 billion to \$0.6 billion; the deficit at the provincial-municipal levels of government showed an increase of \$0.2 billion.

Total government revenues were rising in the third quarter in response to the general expansion in economic activity and the higher levels of incomes, shipments, sales, and imports. The increase amounted to \$0.4 billion (or over 3 per cent), three-fourths of which represented a gain at the Federal level; the balance represented additional revenues of the provincial-municipal governments.

On the expenditure side, Federal outlays increased by about \$14.0 million (2 per cent), a major part of which was accounted for by a sharp rise in subsidy payments attributable to interim subsidies paid to the railways pending the complete report of the Royal Commission on Railway Problems; a smaller rise in non-defence purchases for goods and services also contributed to the increase at the Federal level. Provincial and municipal outlays rose by about double the amount of the increase at the Federal level (\$24.0 million), more than half of which was accounted for by higher payments for goods and services, and the balance by an increase in transfer payments to persons.

Personal Income and Savings

The flow of income to the personal sector was strongly upward in the third quarter of 1961 on a seasonally adjusted basis. All major components of total personal income were rising in the quarter, with substantial gains occurring in labour income, transfer payments, net income of unincorporated businesses, and revenues from investment income. With personal direct taxes showing little change from the high second quarter level, the after-tax income of persons rose by 3.2 per cent between the second and the third quarters. This rate of increase was approximately twice as great as the advance in personal expenditure for consumer goods and services, with the result that the level of personal saving rose very sharply in the quarter. As a percentage of disposable income, personal saving was 6.3 per cent in the third quarter of 1961, compared with 4.8 per cent in the preceding quarter.

Labour Income

Labour income continued to rise in the third quarter, to a seasonally adjusted annual rate of \$19.5 billion, more than 2 per cent above the level of the second quarter. This is the strongest advance in labour income since the latter part of 1959. All major industries except mining and agriculture shared in the advance with the largest gains being in personal and community services and financial services. Associated with these gains in labour income, employment in all industrial groups covered in the establishment survey of employment and earnings recorded advances in the quarter, after seasonal factors are taken into account, with gains of 0.5 per cent in transportation, 3 per cent in the construction industry and nearly 7 per cent in forestry. In manufacturing, the gain of 2 per cent in labour income closely matched the rise in employment.

Corporate Profits

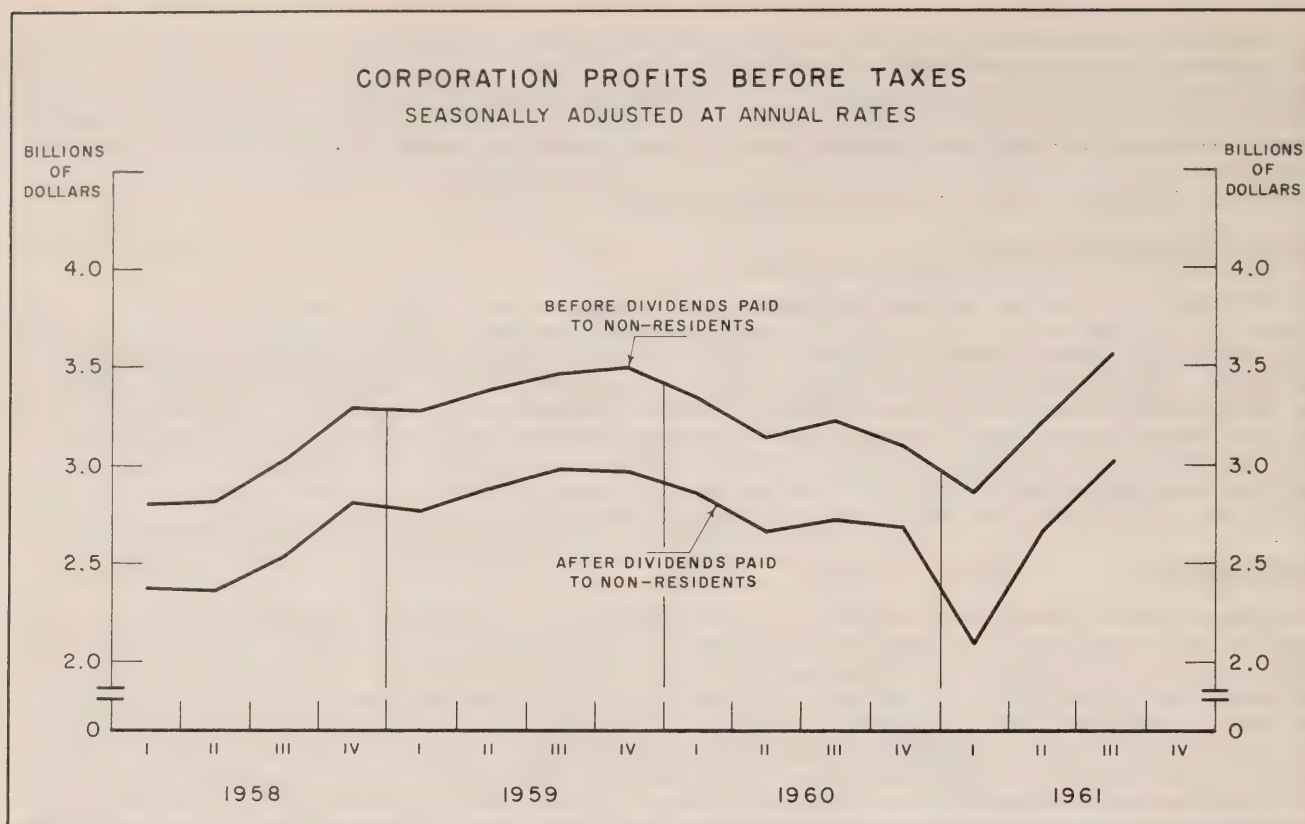
Corporate profits before taxes and before dividends paid abroad rose to \$3.6 billion in the third quarter, or by 10 per cent above the level of the second quarter on a seasonally adjusted basis. Among the factors tending to raise corporate profits in the quarter was the decline in the exchange rate on the Canadian dollar, which has pushed up profit margins in a number of commodity-producing industries whose prices are set in world markets. In addition, as noted earlier, total final demand was rising strongly in the quarter, and production in most industries showed a marked advance.

Higher profits was an experience common to all industries except the service group in the third quarter (see detail, Table on page 18). A 9 per cent rise in profits in mining, quarrying and oil wells (seasonally adjusted) is largely associated with a sharp increase in exports of nickel, coupled with a 10 per cent rise in the price as quoted in American dollars.

Manufacturing industries as a group recorded an increase in profits of 10 per cent, on a seasonally adjusted basis, in the third quarter. Almost all manufacturing industries shared in this advance, the notable gains being in foods and beverages, and paper products (both up 9 per cent), petroleum and coal products (up 29 per cent), iron and steel products (up 4 per cent), and electric apparatus and supplies (up 55 per cent). The level of profits in non-ferrous metal products was unchanged.

An 18 per cent increase in profits in transportation between the second and third quarters is largely attributable to the interim subsidies received by the railways pending the complete report of the Royal Commission on Railway Problems.

There were also higher profits in distribution, profits in retail trade being up 25 per cent and in wholesale trade up 8 per cent. In finance, insurance and real estate, profits were higher by nearly 12 per cent.



THE FIRST NINE MONTHS OF 1961

Production by Industry

As noted earlier, in a comparison of the first nine months of 1961 with the same period one year ago, the total volume of production has risen by about 1 per cent. This estimate takes account of a sharp drop in agricultural output in 1961 attributable to the effects on the grain crop of a severe drought in the Prairie Provinces. Crop production in 1961 was lower than in 1960 by about 40 per cent. In value terms, this represents a \$400 million loss relative to the year 1960, or about 1 per cent on the total Gross National Product.

Output in the non-agricultural industries accounted for all of the rise in the physical volume of production between the two periods, most of this increase being attributable to the service-producing industries, which rose by 2.5 per cent; output in the goods-producing industries (apart from the farm sector) averaged over the nine months' span was fractionally higher than for the same period of 1960.

In this comparison, manufacturing production was only a shade higher (0.5 per cent) than a year earlier, with losses in durables almost offsetting gains in non-durables. Widespread increases occurred in the non-durable groups, making for a 2.8 per cent rise in the total; industrial gains ranged from 1 per cent in chemical products to 8 to 10 per cent in textiles, tobacco, miscellaneous manufactures and leather products; output of clothing was little changed while rubber products output was off moderately.

Within durables, declines in production on the nine months' basis were general. All components of transportation equipment except aircraft recorded lower output, making for a 6 per cent decline for this group as a whole. Production in the electrical apparatus and supplies industry was also off considerably. Smaller declines occurred in non-ferrous metal products, wood products and iron and steel.

Activity in mining was higher by about 1 per cent, with substantial gains in output of fuels and non-metals largely offset by a drop in the output of metals. While most metals contributed to this trend, the drop in output of uranium and iron ore was particularly large. The gain in fuels is attributable to crude petroleum and natural gas.

Production in forestry was off about 6 per cent in the year-to-year comparison, most of this drop being attributable to reduced pulpwood output.

A 2 1/2 per cent decline in construction put in place is accounted for by non-residential construction; the volume of housing was fractionally higher in the nine months' comparison.

Production in the transportation, storage and communication group was higher by about 3 1/2 per cent, with each of the component groups making some contribution to the over-all increase. In transportation, activity was much higher in pipelines and in civil aviation; activity in railways and shipping was up only slightly. It is to be noted that freight car loadings show reductions over a wide range of commodities.

Among the other service-producing industries, activity was moderately higher in the nine months' comparison. The volume of total retail and wholesale trade is estimated to have been up by 1 1/2 per cent. Dealers in most retail trades experienced some increase in the volume of business in the first nine months of 1961, as compared with the period one year earlier.

Employment by Industry

Taking the first three quarters of the year together, total employment in 1961 was higher than in 1960 by 1.4 per cent. Female employment continued to make very strong gains, but employment of males remained relatively unchanged. As in the recent past, the rate of increase of 3 per cent in the service industries was much sharper than that in the goods-producing industries, -- there was, in fact, a decline of about one-half of 1 per cent in employment in the goods-producing industries over the period. These nine-month comparisons of the employment figures are shown in the Table below.

Employment by Industry

	First Nine Months Averages (Estimated in Thousands)		Per Cent Change
	1960	1961	
Total Employed	5,933	6,014	1.4
Males	4,360	4,354	- 0.1
Females	1,573	1,660	5.5
Goods-Producing Industries	2,770	2,756	- 0.5
Agriculture	683	683	-
Other Primary Industries	203	174	-14.3
Manufacturing	1,470	1,501	2.1
Construction	414	398	- 3.9
Service-Producing Industries	3,164	3,258	3.0
Transportation and Other Utilities	518	511	- 1.4
Trade	970	976	0.6
Finance, Insurance and Real Estate	227	239	5.3
Service	1,449	1,532	5.7

Business Gross Fixed Capital Formation

In spite of the signs of recovery in the third quarter, capital outlays for the first nine months of the year were running 5 per cent below expectations as set out in the mid-year review of investment intentions, 3 per cent below the like period of the previous year, and 13 per cent below the level obtained in the peak year 1957.

Comparing the first three quarters of this year with the like period of 1960, expenditures for plant and equipment are down 5 per cent, with the construction component off 4 per cent and the machinery and equipment off 6 per cent. It might be noted that, compared with the full year 1957, the rate of expenditures on plant and equipment thus far in 1961 are lower by 18 per cent.

Housing

Conditions of mortgage credit had eased in the course of 1960 and lending terms under the National Housing Act had been liberalized around the turn of the year. In this situation there was an upsurge in housing starts in the latter part of 1960 and they were at a relatively high level in the opening months of 1961 -- although below the peak reached in 1958. Thereafter starts fell sharply and in the third quarter were fairly stable a little above the second quarter rate. The result of the pattern of housing starts over time was a gain of nearly 28 per cent in a first nine months' comparison with the same period of 1960, a decline of nearly 11 per cent in completions, with total expenditures for housing running about 3 per cent higher than in the previous year.

Exports and Imports of Goods and Services

The improvement on the external side is apparent in a longer term perspective when the nine months of 1961 are compared with the same period of the previous year. Between the two periods, exports of goods and services were up about 5 1/2 per cent, and imports about 3 per cent.

Domestic Exports

	Jan. - Aug. 1960	Jan. - Aug. 1961	Per Cent Change
(Thousands of Dollars)			
<u>Leading Commodities</u>			
Newsprint paper	494,639	492,561	- 0.4
Wheat	241,602	404,134	67.3
Lumber and timber	237,059	235,181	- 0.8
Woodpulp	218,938	226,993	3.7
Nickel	176,453	209,253	18.6
Aluminum and products	177,976	152,358	-14.4
Copper and products	153,304	135,248	-11.8
Uranium ores and concentrates	181,512	134,706	-25.8
Petroleum, crude	65,025	85,518	31.5
Fish and fishery products	84,843	84,971	0.2
Asbestos and products	73,379	80,048	9.1
Iron ore	107,667	76,901	-28.6
Farm machinery and implements	69,608	63,367	- 9.0
<u>Leading Countries</u>			
United States	1,987,285	1,931,236	- 2.8
United Kingdom	598,063	582,244	- 2.6
European Common Market	250,599	295,513	17.9
Japan	108,856	151,901	39.5
Other	501,288	667,693	33.2
Total Domestic Exports	3,446,091	3,628,587	5.3

Commodity and country detail, set out in the accompanying Table, is available for only eight months of the year. Comparing 1961 with 1960 on this basis, exports in total were up more than 5 per cent (by \$182 million), with large and partly offsetting changes. Among the leading commodities, there was an increase of about \$160 million in sales of wheat and an increase of about \$33 million in sales of nickel, partially offset by decreases of about \$47 million in sales of uranium and concentrates, about \$25 million in sales of aluminum, and a considerable reduction in sales of copper and products, and of farm machinery.

The comparison of export sales by leading countries continues to exhibit major changes in the area distribution of trade. In the eight months' comparison sales to the United States and the United Kingdom were each down by close to 3 per cent, while sales to the countries of the European Common Market were up by 18 per cent, sales to Japan up by 40 per cent, while sales to all other countries were up by

33 per cent. In the latter increase of nearly \$170 million, \$66 million is accounted for by sales of wheat to Communist China under a government-negotiated contract.

Personal Expenditure on Consumer Goods and Services

In the first three quarters of this year, consumer spending was higher than in the same period of 1960 by 4 per cent. The largest element in this increase was in services, where expenditure was up 5 per cent, reflecting the continuing growth of outlays for shelter, medical care and household operation. It is interesting to note that between 1960 and 1961 (9 month comparison) the year-to-year percentage change in total consumer spending and in its main components was virtually the same as for the 1959-1960 comparison.

Consumer Expenditure

Per Cent Change

	Year 1959 to Year 1960	3 Quarters 1960 to 3 Quarters 1961
Food	3.0	1.9
Clothing	2.2	2.9
Other	6.5	7.3
Total Non-Durable Goods	4.1	4.0
Appliances and Radios	- 4.1	2.9
Home Furniture and Furnishings	- 2.9	2.0
Autos (New and Used)	3.5	- 1.0
Other	0.7	- 1.2
Total Durable Goods	0.3	0.3
Total All Goods	3.4	3.3
Total Services	5.3	5.0
Total Personal Expenditure (Goods and Services)	4.1	4.0

However, within the total of the durable goods component, some shifts in composition have occurred. Whereas in the 1959-1960 period, appliances and radios and home furnishings and furniture were lower, in the 1960-1961 comparison some increases have occurred. In the earlier comparison, housing outlays were off by 15 per cent whereas in 1960-1961 housing outlays were somewhat stronger. There was a distinct drop in the share of the market taken by British and European cars in 1961 compared with one year earlier; purchases of these cars fell by 15 per cent on the nine months basis.

Spending for non-durables was higher by 4 per cent in the nine months' comparison, with increases of 2 per cent for food and 3 per cent for clothing.

Government Sector

Over the course of the first nine months of 1961, the total deficit on consolidated government account has averaged out to a rate well above that for the same period of 1960 -- \$1184 million, compared with \$688 million in the earlier period. The deficit at the Federal level in the first nine months of this year was running at a rate of \$635 million (on the National Accounts' basis), compared with \$336 million in the preceding period.

Labour Income

In the comparison of the first nine months of 1961 with the same period of 1960, labour income rose by 3 1/2 per cent. Forestry, mining and construction, where employment had declined over the period, both recorded lower levels of labour income between the two periods. As has been characteristic of

developments in this area over the recent past, the largest gains were recorded in government, and personal and community services, where they amounted to about 9 per cent in each case. Financial services, with a gain of about 7 per cent, was also relatively high. In manufacturing, which had felt much of the impact of the 1960 downturn and where employment had not turned up until about mid-1961, labour income was nevertheless higher by nearly 2 per cent in the nine months' comparison. In most other industries, the gains were in the neighbourhood of 3 to 4 per cent.

Profits

Comparing the first nine months of 1961 with the same period of 1960, corporate profits remained virtually unchanged, reflecting the sharply reduced levels which prevailed at the beginning of the year. By industry, profits were lower in the distributive trades, both wholesale and retail, and in the services group. Profits in manufacturing declined by 3.0 per cent, although the experience of individual manufacturing industries diverged widely; iron and steel, electrical apparatus and supplies were among the industries recording a reduction in profits, while higher profits were realized in textiles, paper products, non-ferrous metals and non-metallic mineral products.

Changes in Corporation Profits - Selected Industries (Seasonally Adjusted)

	2nd Quarter 1961 to 3rd Quarter 1961	9 Months 1960 to 9 Months 1961
	%	%
Mining, Quarrying and Oil Wells	9.0	7.4
Manufacturing	10.3	- 2.7
Foods and Beverages	8.5	2.8
Paper Products	9.4	7.2
Iron and Steel Products	4.3	-17.2
Electrical Apparatus and Supplies	54.5	-28.3
Petroleum and Coal Products	29.2	-
Textile Products	7.7	16.7
Non-Ferrous Metal Products	-	22.7
Non-Metallic Mineral Products	7.1	10.8
Chemical Products	7.1	- 2.4
Transportation, Communication and Storage	18.4	- 3.8
Public Utility Operations	-	9.1
Wholesale Trade	8.0	- 5.8
Retail Trade	25.0	- 6.9
Finance, Insurance and Real Estate	11.7	5.2
Service	-11.8	-11.8
Other Non-Manufacturing Industries	4.5	- 2.2
Total All Industries	10.4	- 0.8

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1960 and 1961
(millions of dollars)

	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Wages, Salaries, and Supplementary Labour Income	4,397	4,622	4,792	4,703	18,514	4,507	4,788	5,007
2. Military Pay and Allowances	119	129	127	134	509	129	140	137
3. Corporation Profits before Taxes and before Dividends Paid to Non-Residents(1)	724	875	823	778	3,200	600	901	914
4. Deduct: Dividends Paid to Non-Residents(2) ...	-107	-106	-120	-132	-465	-164	-120	-130
5. Rent, Interest, and Miscellaneous Investment Income	573	582	590	617	2,362	599	589	647
6. Accrued Net Income of Farm Operators from Farm Production(3)	5	112	988	102	1,207	51	126	689
7. Net Income of Non-Farm Unincorporated Business(4)	460	550	513	582	2,105	442	550	552
8. Inventory Valuation Adjustment(5)	-34	-26	-16	19	-57	12	-16	-31
9. NET NATIONAL INCOME AT FACTOR COST	6,137	6,738	7,697	6,803	27,375	6,176	6,958	7,785
10. Indirect Taxes less Subsidies	1,066	1,116	1,095	1,112	4,389	1,093	1,138	1,136
11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	1,008	1,091	1,080	1,112	4,291	999	1,069	1,103
12. Residual Error of Estimate	-86	-199	88	101	-96	-80	-145	81
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	8,125	8,746	9,960	9,128	35,959	8,188	9,020	10,105
14. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators)	(8,120)	(8,634)	(8,972)	(9,026)	(34,752)	(8,137)	(8,894)	(9,416)

- (1) In reports prior to 1961 this item was shown after deduction of dividends paid to non-residents, it is now however inclusive of such dividends. In order to derive series consistent with past published figures, lines 3 and 4 must be combined.
- (2) Includes the withholding tax applicable to this item. Also includes some net profits of non-Canadian non-financial corporations. Since the withholding tax is also part of National Product, it is included again in Rent, Interest and Miscellaneous Investment Income.
- (3) Includes change in farm inventories as shown in line 11, Table 5. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.
- (4) Includes net income of independent professional practitioners.
- (5) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1960 and 1961
(millions of dollars)

	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Personal Expenditure on Consumer Goods and Services	5,377	5,858	5,755	6,419	23,409	5,581	6,079	6,005
2. Government Expenditure on Goods and Services(1) (2)	1,491	1,533	1,953	1,739	6,716	1,603	1,654	2,109
3. Business Gross Fixed Capital Formation(3)	1,411	1,740	1,788	1,673	6,612	1,302	1,657	1,809
4. New Residential Construction	317	365	399	395	1,476	291	377	432
5. New Non-Residential Construction	478	620	787	682	2,567	441	599	782
6. New Machinery and Equipment	616	755	602	596	2,569	570	681	595
7. Value of Physical Change in Inventories(4)	68	-112	670	-310	316	-52	-213	323
8. Non-Farm Business Inventories	353	-35	-114	25	229	208	-57	-50
9. Farm Inventories and Grain in Commercial Channels	-285	-77	784	-335	87	-260	-156	373
10. Exports of Goods and Services	1,582	1,692	1,918	1,765	6,957	1,574	1,856	2,101
11. Deduct: Imports of Goods and Services	-1,890	-2,164	-2,037	-2,057	-8,148	-1,900	-2,157	-2,160
12. Residual Error of Estimate	86	199	-87	-101	97	80	144	-82
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES ...	8,125	8,746	9,960	9,128	35,959	8,188	9,020	10,105

- (1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.
- (2) For details of defence expenditures see Tables 7 and 16.
- (3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.
- (4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1960 and 1961,
Unadjusted for Seasonality(1)
(millions of dollars)

	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Personal Expenditure on Consumer Goods and Services	5,140	5,578	5,471	6,084	22,273	5,265	5,740	5,654
2. Non-Durable Goods	2,572	2,750	2,827	3,267	11,416	2,639	2,848	2,901
3. Durable Goods	560	737	596	726	2,619	550	738	656
4. Services	2,008	2,091	2,048	2,091	8,238	2,076	2,154	2,097
5. Government Expenditure on Goods and Services	1,358	1,381	1,788	1,545	6,072	1,414	1,442	1,890
6. Business Gross Fixed Capital Formation	1,318	1,616	1,660	1,552	6,146	1,196	1,523	1,659
7. New Residential Construction	295	334	362	359	1,350	265	341	390
8. New Non-Residential Construction	446	579	735	637	2,397	407	556	728
9. New Machinery and Equipment	577	703	563	556	2,399	524	626	541
10. Change in Inventories	69	-124	655	-288	312	-31	-224	292
11. Non-Farm Business Inventories	340	-27	-112	19	220	204	-51	-52
12. Farm Inventories and Grain in Commercial Channels	-271	-97	767	-307	92	-235	-173	344
13. Exports of Goods and Services	1,571	1,657	1,879	1,740	6,847	1,552	1,816	2,022
14. Deduct: Imports of Goods and Services	-1,861	-2,102	-1,975	-1,996	-7,934	-1,811	-2,052	-2,009
15. Residual Error of Estimate	81	186	-82	-94	91	75	134	-77
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	7,676	8,192	9,396	8,543	33,807	7,660	8,379	9,431

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, which can be derived by dividing the value figures in Table 2 by the constant dollar figures in Table 3, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLE 4. Sources of Personal Income, by Quarters, 1960 and 1961
(millions of dollars)

	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Wages, Salaries, and Supplementary Labour Income	4,397	4,622	4,792	4,703	18,514	4,507	4,788	5,007
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds	-187	-176	-188	-188	-739	-188	-184	-193
3. Military Pay and Allowances	119	129	127	134	509	129	140	137
4. Net Income Received by Farm Operators from Farm Production(1)	22	117	979	83	1,201	74	101	679
5. Net Income of Non-Farm Unincorporated Business ..	460	550	513	582	2,105	442	550	552
6. Interest, Dividends, and Net Rental Income of Persons(2)	647	668	658	723	2,696	658	676	678
Transfer Payments to Persons:								
7. From Government (Excluding Interest)	901	754	712	749	3,116	1,000	826	754
8. Charitable Contributions by Corporations	10	10	10	10	40	9	10	10
9. PERSONAL INCOME	6,369	6,674	7,603	6,796	27,442	6,631	6,907	7,624

(1) This item differs from line 6 of Table 1 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 5. Disposition of Personal Income, by Quarters, 1960 and 1961
(millions of dollars)

	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Personal Direct Taxes	557	639	578	584	2,358	574	671	625
2. Income Taxes	428	548	501	500	1,977	454	584	542
3. Succession Duties	49	39	32	38	158	37	34	35
4. Miscellaneous	80	52	45	46	223	83	53	48
5. Personal Expenditure on Consumer Goods and Services	5,377	5,858	5,755	6,419	23,409	5,581	6,079	6,005
6. Non-Durable Goods	2,636	2,831	2,922	3,394	11,783	2,740	2,955	3,030
7. Durable Goods	586	763	602	736	2,687	560	749	648
8. Services(1)	2,155	2,264	2,231	2,289	8,939	2,281	2,375	2,327
9. Personal Net Saving	435	177	1,270	-207	1,675	476	157	994
10. Personal Saving Excluding Change in Farm Inventories	665	281	568	144	1,658	714	260	633
11. Value of Physical Change in Farm Inventories	-230	-104	702	-351	17	-238	-103	361
12. PERSONAL INCOME	6,369	6,674	7,603	6,796	27,442	6,631	6,907	7,624
13. (Personal Disposable Income) (2)	(5,812)	(6,035)	(7,025)	(6,212)	(25,084)	(6,057)	(6,236)	(6,999)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 6. Government Revenue and Expenditure, by Quarters, 1960 and 1961
(millions of dollars)

	REVENUE							
	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Direct Taxes - Persons	557	639	578	584	2,358	574	671	625
2. Federal	447	556	506	507	2,016	461	582	543
3. Provincial and Municipal	110	83	72	77	342	113	89	82
4. Direct Taxes - Corporations	328	396	373	352	1,449	287	397	423
5. Federal	263	317	298	282	1,160	230	318	338
6. (Federal Tax Collections)	(307)	(406)	(364)	(306)	(1,383)	(302)	(365)	(319)
7. Provincial	65	79	75	70	289	57	79	85
Withholding Taxes:								
8. Federal	23	19	18	17	77	34	26	26
9. Indirect Taxes	1,120	1,174	1,155	1,174	4,623	1,143	1,196	1,226
10. Federal	501	570	541	569	2,181	496	553	555
11. Provincial and Municipal	619	604	614	605	2,442	647	643	671
12. Investment Income	233	253	243	331	1,060	234	241	274
13. Federal	67	86	72	129	354	64	72	101
14. Provincial and Municipal	166	167	171	202	706	170	169	173
15. Employer and Employee Contributions to Social Insurance and Government Pension Funds	187	176	188	188	739	188	184	193
16. Federal	127	115	125	125	492	125	118	127
17. Provincial and Municipal	60	61	63	63	247	63	66	66
Transfers from Federal:								
18. Provincial and Municipal	249	247	241	254	991	256	297	284
19. Total Revenue	2,697	2,904	2,796	2,900	11,297	2,716	3,012	3,051
20. Federal	1,428	1,663	1,560	1,629	6,280	1,410	1,669	1,690
21. Provincial and Municipal	1,269	1,241	1,236	1,271	5,017	1,306	1,343	1,361

TABLE 7. Government Revenue and Expenditure, by Quarters, 1960 and 1961
(millions of dollars)

	EXPENDITURE							
	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Goods and Services	1,491	1,533	1,953	1,739	6,716	1,603	1,654	2,109
2. Federal	669	647	732	691	2,739	704	726	807
3. (Defence)	(434)	(349)	(388)	(390)	(1,561)	(438)	(368)	(391)
4. Provincial and Municipal	822	886	1,221	1,048	3,977	899	928	1,302
5. Transfer Payments to Persons (Excluding Interest on the Public Debt)	901	754	712	749	3,116	1,000	826	754
6. Federal	581	494	437	471	1,983	602	521	427
7. Provincial and Municipal	320	260	275	278	1,133	398	305	327
8. Interest on the Public Debt	230	254	232	333	1,049	224	255	230
9. Federal	168	169	177	242	756	160	162	168
10. Provincial and Municipal	62	85	55	91	293	64	93	62
11. Subsidies	54	58	60	62	234	50	58	90
12. Federal	52	56	57	57	222	48	56	86
13. Provincial	2	2	3	5	12	2	2	4
Transfers to Provincial and Municipal:								
14. Federal	249	247	241	254	991	256	297	284
15. Total Expenditure	2,925	2,846	3,198	3,137	12,106	3,133	3,090	3,467
16. Federal	1,719	1,613	1,644	1,715	6,691	1,770	1,762	1,772
17. Provincial and Municipal	1,206	1,233	1,554	1,422	5,415	1,363	1,328	1,695
18. Deficit (-) or Surplus (+)	-228	58	-402	-237	-809	-417	-78	-416
19. Federal	-291	50	-84	-86	-411	-360	-93	-82
20. Provincial and Municipal	63	8	-318	-151	-398	-57	15	-334
21. Total Expenditure Minus Deficit or Plus Surplus	2,697	2,904	2,796	2,900	11,297	2,716	3,012	3,051
22. Federal	1,428	1,663	1,560	1,629	6,280	1,410	1,669	1,690
23. Provincial and Municipal	1,269	1,241	1,236	1,271	5,017	1,306	1,343	1,361

TABLE 8. National Saving Account, by Quarters, 1960 and 1961
(millions of dollars)

SOURCE

	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Personal Net Saving	435	177	1,270	-207	1,675	476	157	994
2. Business Gross Saving	1,170	1,345	1,312	1,294	5,121	1,013	1,369	1,363
3. Undistributed Corporation Profits	179	259	223	163	824	37	275	250
4. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	1,008	1,091	1,080	1,112	4,291	999	1,069	1,103
5. Adjustment on Grain Transactions(1)	-17	-5	9	19	6	-23	25	10
6. Inventory Valuation Adjustment	-34	-26	-16	19	-57	12	-16	-31
7. Government Surplus (+) or Deficit (-)	-228	58	-402	-237	-809	-417	-78	-416
8. Residual Error of Estimate	-86	-199	88	101	-96	-80	-145	81
9. Totals	1,257	1,355	2,252	970	5,834	1,004	1,287	1,991

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 4.

TABLE 9. National Saving Account, by Quarters, 1960 and 1961
(millions of dollars)

DISPOSITION

	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Business Gross Fixed Capital Formation	1,411	1,740	1,788	1,673	6,612	1,302	1,657	1,809
2. New Residential Construction	317	365	399	395	1,476	291	377	432
3. New Non-Residential Construction	478	620	787	682	2,567	441	599	782
4. New Machinery and Equipment	616	755	602	596	2,569	570	681	595
5. Value of Physical Change in Inventories	68	-112	670	-310	316	-52	-213	323
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents	-308	-472	-119	-292	-1,191	-326	-301	-59
7. Residual Error of Estimate	86	199	-87	-101	97	80	144	-82
8. Totals	1,257	1,355	2,252	970	5,834	1,004	1,287	1,991

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates (millions of dollars)

	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Wages, Salaries, and Supplementary Labour Income	18,340	18,396	18,600	18,720	18,514	18,764	19,044	19,468
2. Military Pay and Allowances	496	500	504	536	509	540	544	544
3. Corporation Profits before Taxes and before Dividends paid to Non-Residents(1)	3,344	3,144	3,216	3,096	3,200	2,856	3,216	3,552
4. Deduct: Dividends Paid to Non-Residents(2)	-492	-476	-488	-404	-465	-764	-552	-536
5. Rent, Interest, and Miscellaneous Investment Income	2,376	2,304	2,364	2,404	2,362	2,452	2,416	2,584
6. Accrued Net Income of Farm Operators from Farm Production(3)	1,308	1,124	1,164	1,232	1,207	948	940	1,016
7. Net Income of Non-Farm Unincorporated Business(4)	2,140	2,160	2,060	2,060	2,105	2,020	2,160	2,212
8. Inventory Valuation Adjustment	-136	-104	-64	76	-57	48	-64	-124
9. NET NATIONAL INCOME AT FACTOR COST	27,376	27,048	27,356	27,720	27,375	26,864	27,704	28,716
10. Indirect Taxes less Subsidies	4,408	4,420	4,320	4,408	4,389	4,496	4,480	4,488
11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments ...	4,288	4,260	4,268	4,348	4,291	4,260	4,196	4,336
12. Residual Error of Estimate	-68	-172	-104	-40	-96	48	16	-176
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	36,004	35,556	35,840	36,436	35,959	35,668	36,396	37,364
14. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators)	(34,696)	(34,432)	(34,676)	(35,204)	(34,752)	(34,720)	(35,456)	(36,348)

(1) See footnote 1, Table 1.

(2) See footnote 2, Table 1.

(3) Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

(4) Includes net income of independent professional practitioners.

TABLE 11. Gross National Expenditure, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates (millions of dollars)

	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Personal Expenditure on Consumer Goods and Services	22,896	23,376	23,420	23,944	23,409	23,856	24,180	24,560
2. Government Expenditure on Goods and Services(1)	6,488	6,620	6,832	6,924	6,716	6,988	7,188	7,376
3. Business Gross Fixed Capital Formation(2)	6,916	6,384	6,500	6,648	6,612	6,420	6,204	6,568
4. New Residential Construction	1,640	1,396	1,444	1,424	1,476	1,512	1,480	1,568
5. New Non-Residential Construction	2,608	2,476	2,584	2,600	2,567	2,416	2,432	2,552
6. New Machinery and Equipment	2,668	2,512	2,472	2,624	2,569	2,492	2,292	2,448
7. Value of Physical Change in Inventories	752	424	-132	220	316	-316	-300	-476
8. Non-Farm Business Inventories	648	336	-176	108	229	28	140	72
9. Farm Inventories and Grain in Commercial Channels(3)	104	88	44	112	87	-344	-440	-548
10. Exports of Goods and Services	7,172	6,676	7,168	6,812	6,957	7,148	7,300	7,752
11. Deduct: Imports of Goods and Services	-8,292	-8,100	-8,052	-8,148	-8,148	-8,384	-8,156	-8,596
12. Residual Error of Estimate	72	176	104	36	97	-44	-20	180
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	36,004	35,556	35,840	36,436	35,959	35,668	36,396	37,364

(1) See footnote 1, Table 2.

(2) See footnote 3, Table 2.

(3) Detail of Farm Inventories and GICC:

Value of grain crop production	1,016	1,016	1,016	1,020	1,017	568	568	572
Depletions of farm stocks of grain	-908	-1,016	-1,168	-964	-1,014	-1,028	-976	-980
Change in livestock inventories	92	-92	16	40	14	80	104	4
Grain in Commercial Channels	-96	180	180	16	70	36	-136	-144

In the seasonally adjusted series, the value of grain crop production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 3, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 12. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1960 and 1961(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Personal Expenditure on Consumer								
Goods and Services	21,880	22,288	22,292	22,632	22,273	22,528	22,876	23,168
2. Non-Durable Goods	11,192	11,488	11,516	11,468	11,416	11,528	11,764	11,840
3. Durable Goods	2,580	2,572	2,500	2,824	2,619	2,580	2,628	2,820
4. Services	8,108	8,228	8,276	8,340	8,238	8,420	8,484	8,508
5. Government Expenditure on Goods and Services ..	5,936	6,000	6,188	6,164	6,072	6,184	6,316	6,476
6. Business Gross Fixed Capital								
Formation	6,468	5,932	6,020	6,164	6,146	5,908	5,708	6,000
7. New Residential Construction	1,520	1,276	1,316	1,288	1,350	1,368	1,344	1,420
8. New Non-Residential Construction	2,440	2,316	2,404	2,428	2,397	2,236	2,256	2,372
9. New Machinery and Equipment	2,508	2,340	2,300	2,448	2,399	2,304	2,108	2,208
10. Change in Inventories	740	428	-136	216	312	-228	-224	-404
11. Non-Farm Business Inventories	640	332	-192	100	220	60	140	64
12. Farm Inventories and Grain in Commercial Channels	100	96	56	116	92	-288	-364	-468
13. Exports of Goods and Services	7,100	6,548	7,036	6,704	6,847	7,036	7,156	7,468
14. Deduct: Imports of Goods and Services	-8,212	-7,888	-7,760	-7,876	-7,934	-8,040	-7,776	-7,952
15. Residual Error of Estimate	68	168	96	32	91	-40	-20	168
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	33,980	33,476	33,736	34,036	33,807	33,348	34,036	34,924

(1) See also footnote 1, Table 3.

TABLE 13. Sources of Personal Income, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Wages, Salaries and Supplementary Labour Income	18,340	18,396	18,600	18,720	18,514	18,764	19,044	19,468
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds	-728	-732	-748	-748	-739	-736	-764	-768
3. Military Pay and Allowances	496	500	504	536	509	540	544	544
4. Net Income Received by Farm Operators from Farm Production(1)	1,296	1,100	1,180	1,228	1,201	956	824	1,016
5. Net Income of Non-Farm Unincorporated Business	2,140	2,160	2,060	2,060	2,105	2,020	2,160	2,212
6. Interest, Dividends, and Net Rental Income of Persons(2)	2,692	2,644	2,680	2,768	2,696	2,728	2,728	2,780
Transfer Payments to Persons:								
7. From Government (excluding interest)	2,920	3,056	3,208	3,280	3,116	3,256	3,332	3,428
8. Charitable Contributions by Corporations	40	40	40	40	40	36	40	40
9. PERSONAL INCOME	27,196	27,164	27,524	27,884	27,442	27,564	27,908	28,720

- (1) This item differs from line 6, Table 10 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.
(2) Includes all government debt interest paid to persons.

TABLE 14. Disposition of Personal Income, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Personal Direct Taxes	2,240	2,476	2,336	2,380	2,358	2,376	2,524	2,512
2. Income Taxes	1,820	2,104	1,992	1,992	1,977	1,996	2,172	2,144
3. Succession Duties	196	156	128	152	158	148	136	140
4. Miscellaneous	224	216	216	236	223	232	216	228
5. Personal Expenditure on Consumer Goods and Services	22,896	23,376	23,420	23,944	23,409	23,856	24,180	24,560
6. Non-Durable Goods	11,516	11,824	11,848	11,944	11,783	12,008	12,188	12,308
7. Durable Goods	2,664	2,652	2,564	2,868	2,687	2,592	2,652	2,828
8. Services(1)	8,716	8,900	9,008	9,132	8,939	9,256	9,340	9,424
9. Personal Net Saving	2,060	1,312	1,768	1,560	1,675	1,332	1,204	1,648
10. PERSONAL INCOME	27,196	27,164	27,524	27,884	27,442	27,564	27,908	28,720
11. (Personal Disposable Income)(2)	(24,956)	(24,688)	(25,188)	(25,504)	(25,084)	(25,188)	(25,384)	(26,208)

- (1) Includes net expenditure abroad.
(2) Personal Income less Total Personal Direct Taxes.

TABLE 15. Government Revenue and Expenditure, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

REVENUE

	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Direct Taxes - Persons	2,240	2,476	2,336	2,380	2,358	2,376	2,524	2,512
2. Federal	1,892	2,132	2,016	2,024	2,016	2,020	2,160	2,152
3. Provincial and Municipal	348	344	320	356	342	356	364	360
4. Direct Taxes - Corporations	1,524	1,436	1,408	1,428	1,449	1,344	1,448	1,596
5. Federal	1,232	1,148	1,124	1,136	1,160	1,084	1,156	1,276
6. (Federal Tax Collections)	(1,276)	(1,520)	(1,424)	(1,312)	(1,383)	(1,260)	(1,280)	(1,276)
7. Provincial	292	288	284	292	289	260	292	320
Withholding Taxes:								
8. Federal	76	80	76	76	77	112	112	108
9. Indirect Taxes	4,628	4,644	4,564	4,656	4,623	4,708	4,712	4,844
10. Federal	2,192	2,204	2,132	2,196	2,181	2,168	2,132	2,192
11. Provincial and Municipal(1)	2,436	2,440	2,432	2,460	2,442	2,540	2,580	2,652
12. Investment Income	1,072	1,040	1,040	1,088	1,060	1,060	1,016	1,160
13. Federal	368	348	332	368	354	348	308	448
14. Provincial and Municipal	704	692	708	720	706	712	708	712
15. Employer and Employee Contributions to Social Insurance and Government Pension Funds	728	732	748	748	739	736	764	768
16. Federal	488	488	496	496	492	484	500	504
17. Provincial and Municipal	240	244	252	252	247	252	264	264
Transfers from Federal:								
18. Provincial and Municipal	960	996	972	1,036	991	996	1,168	1,160
19. Total Revenue	11,228	11,404	11,144	11,412	11,297	11,332	11,744	12,148
20. Federal	6,248	6,400	6,176	6,296	6,280	6,216	6,368	6,680
21. Provincial and Municipal	4,980	5,004	4,968	5,116	5,017	5,116	5,376	5,468

(1) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward, this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 16. Government Revenue and Expenditure, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

EXPENDITURE

	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Goods and Services	6,488	6,620	6,832	6,924	6,716	6,988	7,188	7,376
2. Federal	2,700	2,676	2,800	2,780	2,739	2,888	2,988	3,032
3. (Defence)	(1,528)	(1,548)	(1,592)	(1,576)	(1,561)	(1,564)	(1,632)	(1,596)
4. Provincial and Municipal	3,788	3,944	4,032	4,144	3,977	4,100	4,200	4,344
5. Transfer Payments to Persons (excluding Interest on the Public Debt)	2,920	3,056	3,208	3,280	3,116	3,256	3,332	3,428
6. Federal	1,896	1,896	2,060	2,080	1,983	1,976	2,024	2,028
7. Provincial and Municipal	1,024	1,160	1,148	1,200	1,133	1,280	1,308	1,400
8. Interest on the Public Debt	1,064	1,032	1,004	1,096	1,049	1,032	1,032	1,020
9. Federal	764	752	708	800	756	724	720	700
10. Provincial and Municipal	300	280	296	296	293	308	312	320
11. Subsidies	220	224	244	248	234	212	232	356
12. Federal	208	212	232	236	222	200	220	344
13. Provincial	12	12	12	12	12	12	12	12
Transfers to Other Levels of Government:								
14. Federal	960	996	972	1,036	991	996	1,168	1,160
15. Total Expenditure	11,652	11,928	12,260	12,584	12,106	12,484	12,952	13,340
16. Federal	6,528	6,532	6,772	6,932	6,691	6,784	7,120	7,264
17. Provincial and Municipal	5,124	5,396	5,488	5,652	5,415	5,700	5,832	6,076
18. Deficit (-) or Surplus (+)	-424	-524	-1,116	-1,172	-809	-1,152	-1,208	-1,192
19. Federal	-280	-132	-596	-636	-411	-568	-752	-584
20. Provincial and Municipal	-144	-392	-520	-536	-398	-584	-456	-608
21. Total Expenditure Minus Deficit or Plus Surplus	11,228	11,404	11,144	11,412	11,297	11,332	11,744	12,148
22. Federal	6,248	6,400	6,176	6,296	6,280	6,216	6,368	6,680
23. Provincial and Municipal	4,980	5,004	4,968	5,116	5,017	5,116	5,376	5,468

TABLE 17. National Saving Account, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

	SOURCE							
	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Personal Net Saving	2,060	1,312	1,768	1,560	1,675	1,332	1,204	1,648
2. Business Gross Saving	5,188	5,048	5,104	5,144	5,121	4,548	5,080	5,272
3. Undistributed Corporation Profits	888	764	852	792	824	296	768	936
4. Capital Consumption Allowances, etc.	4,288	4,260	4,268	4,348	4,291	4,260	4,196	4,336
5. Adjustment on Grain Transactions(1)	12	24	-16	4	6	-8	116	-
6. Inventory Valuation Adjustment	-136	-104	-64	76	-57	48	-64	-124
7. Government Surplus (+) or Deficit (-)	-424	-524	-1,116	-1,172	-809	-1,152	-1,208	-1,192
8. Residual Error of Estimate	-68	-172	-104	-40	-96	48	16	-176
9. Totals	6,620	5,560	5,588	5,568	5,834	4,824	5,028	5,428

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 4.

TABLE 18. National Saving Account, by Quarters, 1960 and 1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

	DISPOSITION							
	1960					1961		
	I	II	III	IV	Year	I	II	III
1. Business Gross Fixed Capital Formation	6,916	6,384	6,500	6,648	6,612	6,420	6,204	6,568
2. New Residential Construction	1,640	1,396	1,444	1,424	1,476	1,512	1,480	1,568
3. New Non-Residential Construction	2,608	2,476	2,584	2,600	2,567	2,416	2,432	2,552
4. New Machinery and Equipment	2,668	2,512	2,472	2,624	2,569	2,492	2,292	2,448
5. Value of Physical Change in Inventories	752	424	-132	220	316	-316	-300	-476
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents	-1,120	-1,424	-884	-1,336	-1,191	-1,236	-856	-844
7. Residual Error of Estimate	72	176	104	36	97	-44	-20	180
8. Totals	6,620	5,560	5,588	5,568	5,834	4,824	5,028	5,428

CATALOGUE No.

13-001

QUARTERLY



Canada. Statistics, Bureau of

**NATIONAL ACCOUNTS :
INCOME AND EXPENDITURE**

**FOURTH QUARTER
AND PRELIMINARY ANNUAL**

1961



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In order to obtain a complete historical record of the current dollar quarterly National Accounts, the following publications should be consulted:

"National Accounts, Income and Expenditure, by
Quarters, 1947-1957", for the years 1947-1954.

"National Accounts, Income and Expenditure,
Fourth Quarter and Preliminary Annual, 1960",
for the years 1955-1956.

The historical record of the recently introduced series of Gross National Expenditure in Constant (1957) Dollars, both unadjusted and adjusted for seasonal variation, may be found in the publication:

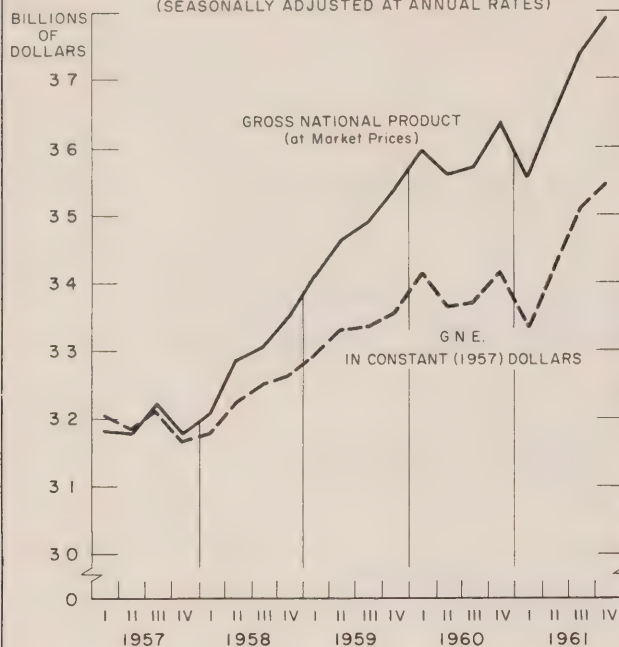
"National Accounts, Income and Expenditure,
First Quarter 1961", for the years 1947-1956.

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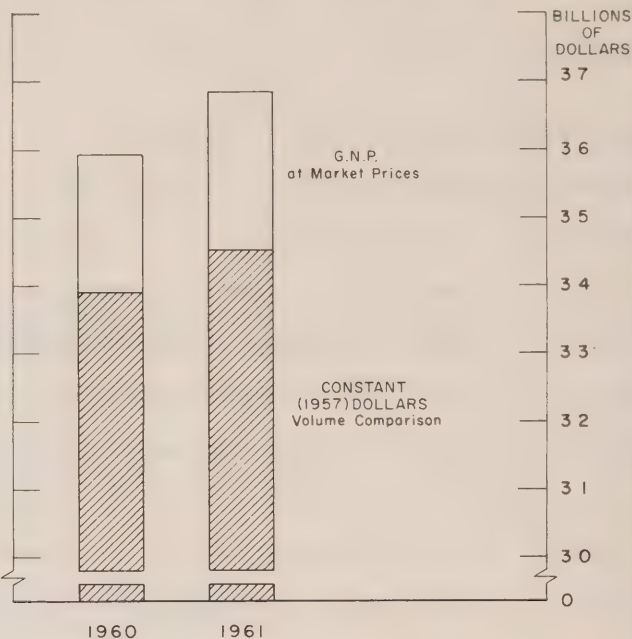
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THE ADVANCE IN G.N.P., WHICH WAS INTERRUPTED IN 1960, WAS RESUMED IN 1961. BY YEAR-END, THE VOLUME OF PRODUCTION WAS RUNNING AT A RATE ABOUT 4 PER CENT ABOVE THE PEAK OF THE LAST BUSINESS CYCLE EXPANSION

(SEASONALLY ADJUSTED AT ANNUAL RATES)

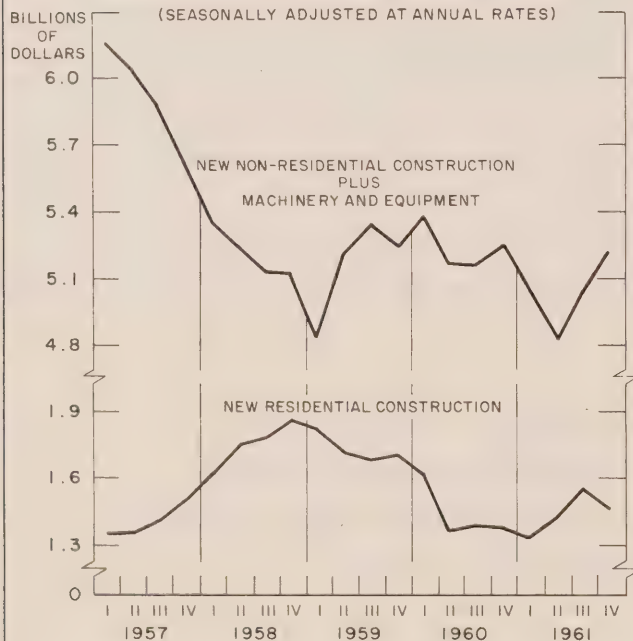


TAKING THE YEAR 1961 AS A WHOLE, THE INCREASE IN G.N.P. AMOUNTED TO 3 PER CENT BY VALUE, WITH THE INCREASE IN THE VOLUME OF OUTPUT AVERAGING ABOUT 2 PER CENT ABOVE THE FULL YEAR 1960



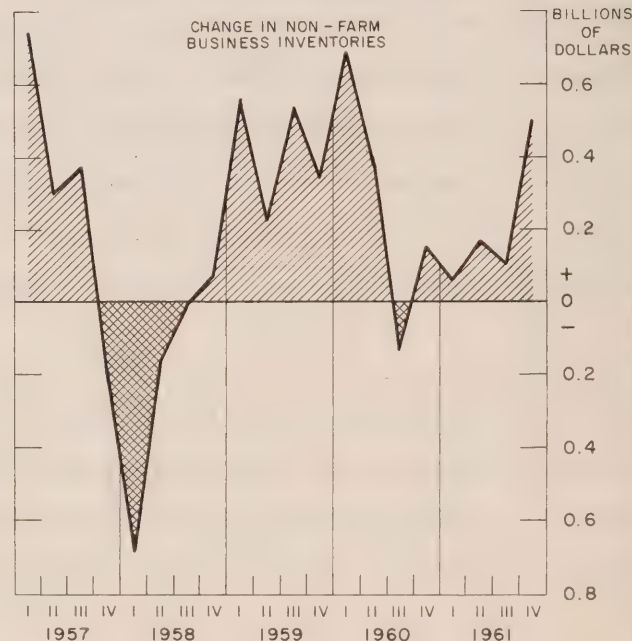
BUSINESS OUTLAYS FOR PLANT AND EQUIPMENT TURNED UPWARD IN THE LAST HALF OF 1961, FOLLOWING A TWO-QUARTER DECLINE. OUTLAYS FOR NEW HOUSING MOVED IRREGULARLY IN 1961, AND FOR THE YEAR AS A WHOLE REMAINED CLOSE TO THE 1960 LEVEL

(SEASONALLY ADJUSTED AT ANNUAL RATES)

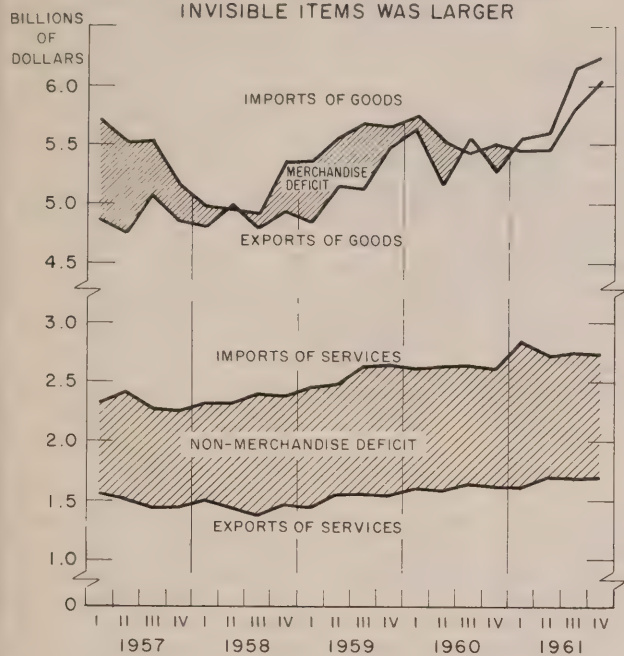


NON-FARM BUSINESS INVENTORIES WERE ACCUMULATING AT A MODERATE RATE THROUGHOUT MOST OF 1961, WITH A MORE PRONOUNCED BUILD-UP OCCURRING IN THE FINAL QUARTER OF THE YEAR

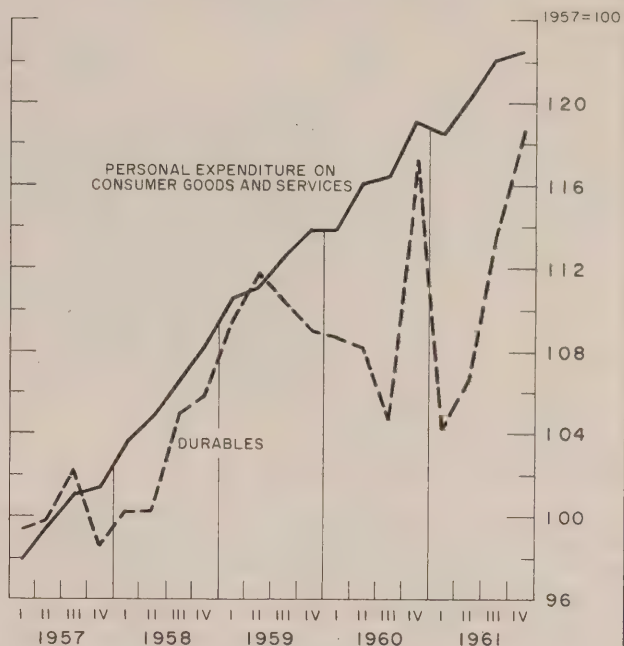
(SEASONALLY ADJUSTED AT ANNUAL RATES)



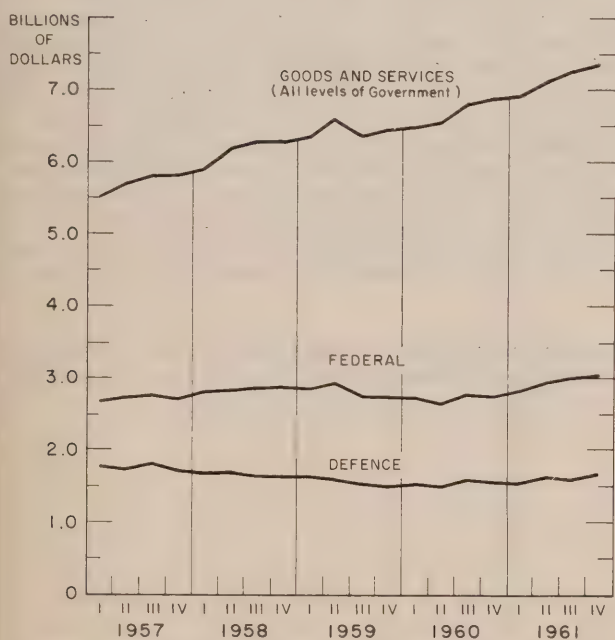
THE TOTAL DEFICIT ON CURRENT ACCOUNT AMOUNTED TO \$0.9 BILLION IN 1961, A REDUCTION FROM THE PREVIOUS YEAR WHICH REFLECTED THE EMERGENCE OF A SURPLUS ON MERCHANDISE TRADE ACCOUNT; HOWEVER, THE DEFICIT ON INVISIBLE ITEMS WAS LARGER



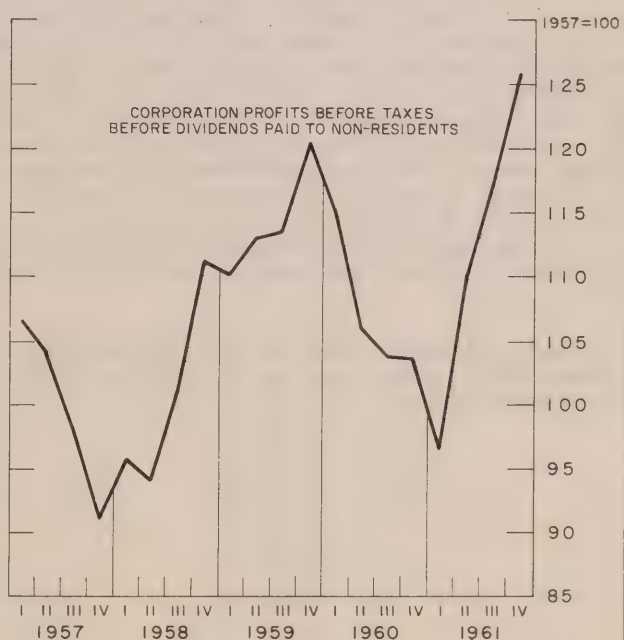
CONSUMER EXPENDITURE FOR GOODS AND SERVICES CONTRIBUTED TO THE STRENGTH OF FINAL DEMAND DURING 1961; CONSUMER OUTLAYS ON DURABLE GOODS WERE PARTICULARLY STRONG IN THE LATTER PART OF THE YEAR



GOVERNMENT OUTLAYS FOR GOODS AND SERVICES CONTINUED TO ADVANCE AT A STEADY RATE, REFLECTING MAINLY RISING EXPENDITURE BY PROVINCIAL AND MUNICIPAL GOVERNMENTS



THE DOWN-TREND IN CORPORATION PROFITS WHICH HAD CHARACTERIZED THE YEAR 1960 WAS SHARPLY REVERSED



IN ALL CHARTS DATA ARE SEASONALLY ADJUSTED AT ANNUAL RATES

INTRODUCTORY REVIEW

(This report incorporates revisions to data for the years 1958, 1959, 1960, and the first three quarters of 1961. In large part, the revisions represent information which has become available during the past year from final tabulations of annual survey data. New information from "Taxation Statistics 1961" has also been incorporated in the figures, as well as the results of the most recent survey, "Private and Public Investment in Canada - Outlook, 1962". The "old" and "revised" Gross National Product series, by quarters, from 1957 to date, are shown in Chart form on page 20.)

The Year 1961 -- Annual Review

The advance in Gross National Product was resumed in 1961. During the previous year the trend of economic activity had eased as downward tendencies developed in several components of end-product demand. These downward pressures were largely reversed in 1961, and following a weak first quarter, the level of activity moved on a rising trend for the remainder of the year. By the final quarter of 1961, Gross National Product was running at a seasonally adjusted annual rate about 3 per cent above the 1961 annual average in terms of current dollars, and almost 3 per cent higher in terms of the physical volume of production. For the year 1961 as a whole, the Gross National Product amounted to \$36.8 billion, 2.5 per cent above the previous year in value terms, and almost 2 per cent higher in terms of the physical volume of output. The year's economic performance was marred by a poor crop out-turn in Western Canada, estimated to have been lower than in the previous year by about \$400 million; this represents a production loss of about 1 per cent on a Gross National Product base of \$36.8 billion.

The upswing in activity in 1961 was characterized by sharply rising exports -- to the United States, where a strong recovery from the 1960 business down-turn was under way -- and to Communist China and Eastern Europe where special sales of wheat raised the level of agricultural exports to new levels. The year was also characterized by the reversal of a decline in business outlays for new plant and equipment in the last half of the year. Business inventories, which had been liquidated briefly in 1960, were being accumulated at a modest rate throughout most of 1961; in the fourth quarter of the year, the build-up became more pronounced and added a sizeable element of new strength to the expansion of total demand. Consumer expenditure, following a small but unusual decline in the first quarter of 1961, advanced moderately thereafter, with outlays for consumer durable goods showing a sharp recovery during the course of the year. Government outlays for new goods and services continued to give support to the rising level of total demand throughout 1961. Outlays for new housing showed little pronounced trend during the year, but moved irregularly at a level only slightly above the average for the year 1960 as a whole.

A perspective on these developments in terms of quarter-to-quarter changes during the year, and in terms of the annual averages for 1960 and 1961 as a whole, is given in the Table on page 8, and in the following Table:

Quarter to Quarter Changes in Final Purchases
(Seasonally Adjusted at Annual Rates)
(\$ millions)

	2Q'58	3Q'58	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59	1Q'60	2Q'60	3Q'60	4Q'60	1Q'61	2Q'61	3Q'61	4Q'61
	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to
	3Q'58	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59	1Q'60	2Q'60	3Q'60	4Q'60	1Q'61	2Q'61	3Q'61	4Q'61	4Q'61
1. Personal Expenditure	336	344	476	80	324	244	-4	476	44	528	-120	340	380	96	
2. Government Expenditure ...	80	-	72	240	-232	84	36	52	260	88	32	216	144	100	
3. Residential Construction .	36	76	-52	-100	-32	20	-84	-252	24	-16	-36	92	140	-100	
4. Non-Residential Construc- tion	-76	-96	-200	124	-24	32	-8	-100	56	-	36	-56	92	108	
5. Machinery and Equipment ..	-36	88	-84	256	148	-124	144	-108	-64	100	-256	-168	128	72	
6. Exports	-248	248	-128	400	-20	372	192	-496	456	-312	292	132	540	100	
7. Total Final Purchases	92	660	84	1,000	164	628	276	-428	776	388	-52	556	1,424	376	
8. (Final Domestic Demand) ...	(340)	(412)	(212)	(600)	(184)	(256)	(84)	(68)	(320)	(700)	(-344)	(424)	(884)	(276)	

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in Non-Farm Business Inventories ...	164	76	488	-336	308	-192	352	-312	-512	288	-96	108	-64	400
10. Imports	44	400	112	208	244	4	40	-204	-108	76	232	-160	424	204
11. G.N.P. (ex. Farm)	304	388	652	536	292	568	368	-256	96	552	-436	860	824	616

Constant (1957) Dollars

Quarter to Quarter Percentage Changes in Selected Items

12. Final Domestic Demand	1.1	0.5	-	1.2	0.1	0.2	0.1	-0.4	0.6	1.5	-1.1	1.1	2.1	0.3
13. Total Final Purchases	0.3	0.9	-0.4	2.0	-0.1	1.0	0.6	-1.7	1.7	0.5	-0.2	1.2	2.7	0.4
14. Gross National Expenditure	0.8	0.4	0.9	1.1	0.1	0.6	1.8	-1.5	0.2	1.4	-2.4	2.7	2.5	1.1

Changes in Components of Gross National Expenditure, 1960 to 1961 ^{1/}

	Year 1960	Year 1961	Change	Per Cent Change
(billions of dollars)				
Fixed Capital Formation Plus Inventories:				
Residential Construction	1.4	1.5	-	1.0
Non-Residential Construction	2.6	2.6	0.1	2.7
Machinery and Equipment	2.7	2.4	-0.3	-10.6
Inventories	0.4	-0.2	-0.6	
(Non-Farm Business Inventories)	(0.3)	(0.2)	(-0.1)	
Sub-Totals	7.1	6.3	-0.8	-11.4
Other Purchases:				
Consumer Expenditure	23.4	24.3	0.9	3.8
Government Expenditure	6.7	7.2	0.5	7.5
Exports	7.0	7.6	0.6	7.9
Sub-Totals	37.1	39.1	1.9	5.2
Total Final Purchases Plus Inventory Investment (Total Supply)	44.2	45.4	1.2	2.6
Less Imports	-8.2	-8.5	-0.3	4.0
Gross National Expenditure (Total Production)	35.9	36.8	0.8	2.5

^{1/} Percentage changes are based on unrounded data. Figures will not add by +0.1 or -0.1 due to rounding.

These developments on the demand side during 1961 were accompanied by changes in the direction and magnitude of the income flows. The down-trend in corporation profits which was a prominent feature of 1960 was sharply reversed in 1961, and by the fourth quarter of the year corporation profits were running at a seasonally adjusted annual rate about 30 per cent ahead of the first quarter trough, and 4 per cent above the previous peak in the fourth quarter of 1959. The trend of labour income was more strongly upward in 1961 than in the previous year, with the fourth quarter rate at a level some 6 per cent above the same period twelve months earlier. The revenues of the government sector reflected this rising flow of incomes during 1961, as well as higher levels of imports and sales, with the result that the deficit on consolidated government account was somewhat narrower in the last half of the year.

	Percent Change 4th Quarter 1959 to 4th Quarter 1960	Percent Change 4th Quarter 1960 to 4th Quarter 1961
(Seasonally Adjusted at Annual Rates)		
Corporation Profits	-14.0	21.2
Labour Income	2.5	5.8
Total Government Revenues	3.5	8.8

Production in 1961

The increase of close to 2 per cent in the volume of total output in 1961 was mainly attributable to gains in the service industries, where production is estimated to have risen by about 3 per cent. In the goods-producing industries the advance in production was fractional, amounting to only about one-half of 1 per cent. This latter development reflected in part the sharp drop in crop production in 1961, noted earlier, and also a decline in output in the forestry industry. Most other goods-producing industries showed sizeable advances in 1961.

Production of manufactured goods was higher than in the previous year, by 2.0 per cent, with non-durable goods up by 3 1/2 per cent and durables higher by about one-half per cent in terms of the annual averages. However, it may be noted that within the year 1961, the durables group showed a better performance, rising by 12 per cent between January and December, compared with a 7 per cent advance in the non-durables group for the same period. In part, these differences reflect the fact that the decline in durables production during the previous year was much steeper than that which occurred in the non-durable goods group.

All main non-durable manufacturing groups showed gains in 1961, with the exception of the clothing products group, which was unchanged. Gains ranged from 1 per cent in chemicals and in printing and publishing to more than 10 per cent in leather and textile products. Rubber products were higher by 2 per cent, foods and beverages, paper products and petroleum products by 3 per cent, and tobacco products by 6 per cent. Strength in the textile group was particularly widespread, with all components higher, particularly cottons and synthetics.

Changes in the major groups of durables manufacturing were mostly marginal, being of the order of 1 per cent. The one exception was a 4 per cent gain in non-metallic mineral products, which reflected greater activity in the construction-oriented industries. In spite of a 7 per cent gain in primary steel, the iron and steel product group as a whole was only slightly higher, reflecting declines in agricultural implements and in the bridge and structural steel industry. A decline of 1 per cent took place in total transportation equipment production.

The output of Canadian mines increased by almost 4 per cent in 1961, reflecting for the most part considerably higher crude petroleum and natural gas production. Although metal mining was regaining some of the lost ground toward the end of 1961, the year as a whole was some 7 per cent lower than 1960, associated with the continued decline of uranium production and lower iron ore output; nickel and lead showed strong gains throughout the year. Non-metal mining was 10 per cent higher, reflecting a large increase in asbestos output.

Among the other goods-producing industries, output in the public utilities industry increased by 7 per cent in 1961, and output in the construction industry by 3 per cent.

Within the service industries, all major groups showed advances in 1961, including gains of 5 per cent in transportation, storage and communication, 3 per cent in finance, insurance, and real estate, 2 per cent in trade, and 4 per cent in government service.

The 5 per cent gain in transportation, storage, and communication reflected advances in air transport, water transport, and oil and gas pipelines; the volume of output in urban and suburban passenger services declined further in 1961, while the volume of railway services showed no change.

Within the trade group, sales volume changes were small. The larger increases occurred in the variety, furniture, appliance, and radio stores, while the more notable declines were in the motor vehicle and farm implement trades. The gain in the volume of output in the government service reflected mainly higher employment at the provincial and municipal levels of government.

Employment

These developments in the production of goods and services in 1961 were closely matched by corresponding changes on the employment side. Total employment, like output, rose by 2 per cent over the previous year, implying little change in the rate of output per person employed. The highest rates of gain, approaching 6 per cent in some cases, occurred in the services groups, while employment in the goods-producing industries, with the exception of manufacturing, was lower. The advance of 3 per cent in manufacturing employment in 1961 contrasts with the decline of about 1 1/2 per cent in the previous year. The increases in the manufacturing and service industries more than accounted for the total increase in employment, but there were some offsetting declines in the construction and other primary industries.

In the early months of the year there was a downward movement in the level of employment in the predominantly male-employing manufacturing and construction industries, but by spring this was reversed, and a rising trend emerged for the remainder of the year.

The labour market continued to offer relatively more opportunities for women than for men in 1961 although the disparity was less marked than in 1960. The increase in the number of employed women was about 5 per cent, whereas the increase in the number of employed men was only one-half of 1 per cent. The narrowing of the difference between 1960 and 1961 reflects mainly the improvement in job opportunities in the more cyclically sensitive manufacturing industries during the course of the past year.

The percentage changes in male, female and total employment by broad industry groups is shown in the following Table:

Employment by Industry - All Status Groups
(Estimates in Thousands)

	Average Year 1960	Average Year 1961	Per Cent Change Men	Per Cent Change Women	Per Cent Change Total
Agriculture	675	674	-1.4	14.0	-0.1
Other Primary Industry	206	183	-11.9	*	-11.2
Manufacturing	1,470	1,515	2.8	3.6	3.1
Construction	418	406	-3.2	9.1	-2.9
Transportation and Other Utilities	516	509	-1.3	-	-1.4
Trade	981	983	-0.1	0.6	0.2
Finance, Insurance, and Real Estate	226	239	9.2	1.9	5.8
Government Service	372	382	1.7	4.6	2.7
Other Service	1,091	1,160	4.5	7.7	6.3
Total Employed	5,955	6,049	0.4	4.9	1.6
Total Employed Ex. Agriculture	5,280	5,375	0.7	4.5	1.8

* Estimates less than 10,000.

Value, Volume, and Price

Price changes were small in 1961. From the fourth quarter of 1960 through to the fourth quarter of 1961, the price of all goods and services as measured by the implicit Gross National Expenditure price deflator is estimated to have risen by only about one-half of 1 per cent. For the year as a whole, the over-all price increase was the smallest for several years, amounting to less than 1 per cent over the average for the full year 1960. The price component of imports of goods and services is estimated to have risen by close to 3 per cent, associated with the exchange rate decline after mid-year. ^{1/} This development was also reflected in the price component of machinery and equipment investment, which has a high import content. In the consumer sector, there was little change in the price component of total goods sold at retail, but the price of services continued to increase although at a somewhat slower rate than in the recent past. It may be noted that the introduction of a 3 per cent retail sales tax by the Province of Ontario in September is reflected in the relatively small increase in prices at the consumer level in 1961.

^{1/} Since imports are excluded by definition from Canada's Gross National Product, the increase in import prices which followed the decline in the exchange rate after mid-year is not reflected in the over-all implicit price deflator of Gross National Expenditure.

Percent Changes - Value, Volume, and Price

	<u>1961</u> <u>1960</u>			<u>1960</u> <u>1959</u>		
	<u>Value</u>	<u>Volume</u>	<u>Price</u> ^{1/}	<u>Value</u>	<u>Volume</u>	<u>Price</u> ^{1/}
Personal Expenditure	3.8	2.9	0.9	3.9	2.7	1.2
Goods	3.3	3.0	0.2	2.8	2.2	0.5
Services	4.7	2.8	1.8	5.7	3.4	2.2
Government Expenditure	7.5	5.6	1.8	3.6	1.4	2.2
Gross Fixed Capital Formation	-3.0	-3.9	0.9	-2.9	-5.0	2.2
New Residential Construction	1.0	0.5	0.5	-16.8	-19.0	2.7
New Non-Residential Construction	2.7	2.3	0.4	-0.5	-2.8	2.4
New Machinery and Equipment	-10.6	-12.1	1.7	3.9	2.0	1.9
Exports of Goods and Services	7.9	6.7	1.2	5.1	4.1	0.9
Total Final Demand	4.0	2.9	1.0	2.9	1.5	1.3
Imports of Goods and Services	4.0	1.1	2.8	0.4	-1.0	1.4
Gross National Expenditure ^{2/}	2.5	1.8	0.7	3.3	1.9	1.4

^{1/} Implicit Price Indexes.

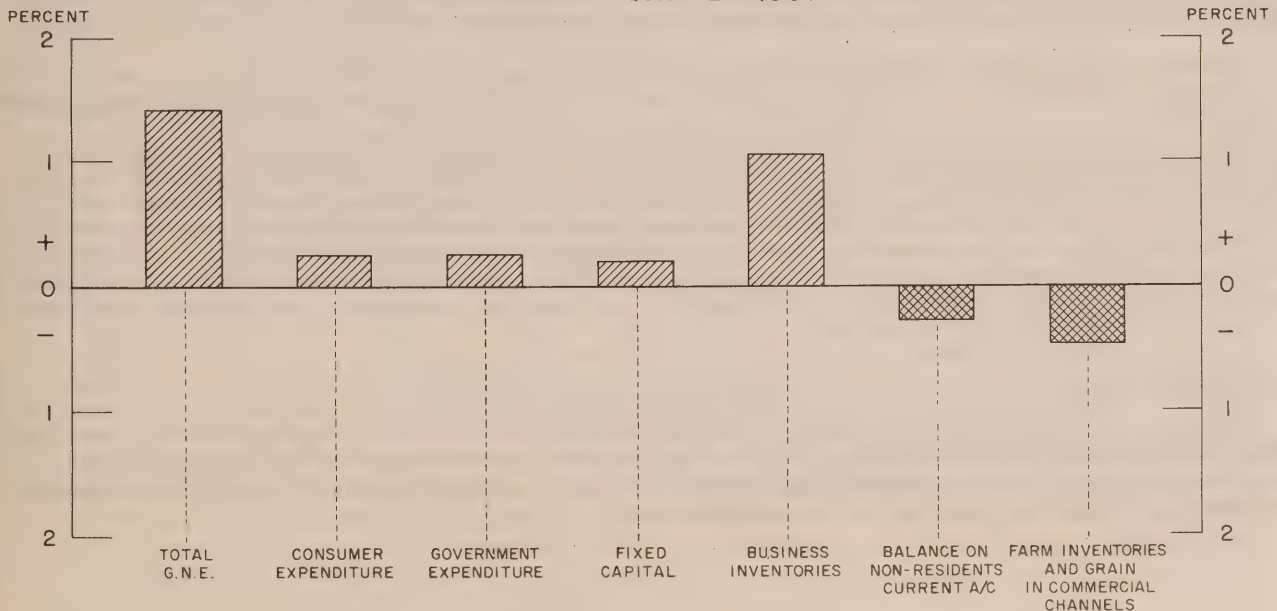
^{2/} Since imports are excluded by definition from Canada's Gross National Product, the increase in import prices which followed the decline in the exchange rate after mid-year is not reflected in the over-all implicit price deflator of Gross National Expenditure.

The Fourth Quarter

The upswing in economic activity continued in the fourth quarter of 1961 as total final purchases of goods and services made a further moderate advance, and the rate of business inventory accumulation increased sharply. The latter development was the most important single factor contributing to the increase in output in the quarter. The Gross National Product, seasonally adjusted at annual rates, rose by \$500 million, about 1 1/2 per cent above the third quarter level. This represents a rate of increase somewhat smaller than that achieved in the second and third quarters, and was associated with a relatively small advance in consumer spending and a decline in outlays for new housing. Final product prices were little changed during the quarter, so that the advance in Gross National Product largely reflected an increase in the physical volume of production.

CONTRIBUTION TO THE PERCENTAGE CHANGE IN G.N.E.
BY COMPONENTS

3rd TO 4th QUARTER 1961



BASED ON SEASONALLY ADJUSTED DATA

The increase in output in the fourth quarter was mainly attributable to sharply increased production in the mining industry (5 per cent) and a more moderate increase in manufacturing production (2 per cent), with the services-producing industries showing only fractional gains. Within the service group, transportation and trade declined slightly.

Accompanying the increase in production in the quarter, there was an advance in total employment of 1 per cent, with a reduction in unemployment from 7.1 per cent of the labour force in the third quarter to 6.3 per cent in the fourth (all data seasonally adjusted).

Turning to the flow of income in the quarter, corporation profits, seasonally adjusted, increased sharply, by 7 per cent, while wages and salaries advanced by about 1 1/2 per cent, in line with the advance in employment noted above.

The advance of only 0.4 per cent in consumer spending in the fourth quarter constituted a noticeable weakening of the gains experienced in the second and third quarters. It is to be noted that the effect of the Ontario sales tax was fully reflected for the first time in the fourth quarter figures. Consumer outlays for durable goods were the only source of strength in the quarter, increasing by 4 per cent. This was mainly due to purchasing of new cars, which raised the value of new and used car sales by 11 per cent above the third quarter. A 1 per cent decline in consumers' purchases of non-durable goods during the quarter was matched by a corresponding increase in spending on services. The relative stability in total consumer spending and in personal tax payments in the fourth quarter was accompanied by a modest advance in personal income (1.3 per cent), so that personal net saving increased sharply, to 6.2 per cent of disposable income, compared with 5.1 per cent in the immediately preceding quarter.

Business gross fixed capital formation continued to rise in the fourth quarter from the low point reached in the second quarter of the year, and registered an increase of 1 per cent over the third quarter level, on a seasonally adjusted basis. The strength in the fourth quarter came from both the non-residential construction and machinery and equipment components, where increases of 4 and 3 per cent occurred. Offsetting these gains to a considerable degree, however, outlays for new housing dropped by 6 per cent during the quarter, associated with a sharp 18 per cent decline in the rate of houses completed.

The main contributing factor to the increase in Gross National Product in the fourth quarter was the sharp pick-up in the rate at which business firms were adding to existing stocks. The rate of accumulation rose to \$500 million compared with \$100 million in the third quarter, an increase which represented just over 1 per cent of the 1.4 per cent rise in total Gross National Product. Most of the increase represented changes in inventories at the manufacturing and wholesale levels, with some offsetting effects in the other industry groups.

In manufacturing, the depletion of stocks which had taken place during the first three quarters of the year had reduced the ratio of stocks to sales to a level which seemed incompatible with the increasing pace of new orders and the mounting backlog of unfilled orders. This liquidation was reversed in the fourth quarter, but despite the swing to heavy stock accumulation, which was concentrated in the durable industries and occurred at all stages of fabrication, the year ended with over-all ratio of stocks to sales for manufacturers at the lowest level since the end of 1955.

Although retail trade stocks were built up sharply in the fourth quarter, this was a continuation of a similar development in the previous quarter and did not add to the increase in demand on productive facilities.

Exports of goods and services in the fourth quarter rose by about 1 1/2 per cent, with imports rising by about 2 1/2 per cent. Almost all this movement can be traced to changes in merchandise trade; both payments and receipts on service account remained virtually unchanged. Although final commodity detail is not yet available, the increase in exports of goods appears to be mainly due to slightly higher shipments of non-ferrous metals and agriculture products. The advance in imports was associated partly with larger investment outlays on machinery and equipment, and the sharp expansion of business inventories in the quarter.

The Consumer Sector

After a weak first quarter, consumer spending picked up in succeeding quarters and for the year 1961 as a whole reached \$24.3 billion, a gain of 4 per cent over the level of the preceding year. Price increases were again moderate, amounting to less than 1 per cent, so that most of the rise in spending represents an increase in real consumption.

As in the recent past, the strongest rate of growth came from spending on services, which was up almost 5 per cent in 1961. Most of the service categories registered some gains, the sharpest rate of advance being the 9 per cent increase in spending for medical care. Spending for shelter is estimated to have risen by 5 per cent, on transportation by 3 per cent and on personal services by 5 per cent.

Consumer Expenditure
Percent Change

	Year 1959 to Year 1960	Year 1960 to Year 1961
Non-Durables	3.5	3.8
Durables	-0.4	1.0
Appliances and Radios	-4.5	2.7
Home Furnishings and Furniture	-2.9	2.1
Autos (New and Used)	2.0	0.4
Other	1.4	-1.2
Services	5.7	4.7
Total Personal Expenditure	3.9	3.8
(Goods and Services)		

In 1961, as in 1960, purchases of durables showed little change. The increase of 1 per cent compares with the marginal decline recorded in 1960. All the advance in spending was for durables other than automobiles; purchases of cars were almost unchanged. There were increases in purchasing of the three categories of household durables, home furnishings, appliances and radios and furniture.

These year-to-year comparisons for the durables group conceal a changing trend within the year. A sharp decline in the first quarter, reflecting a drop in automobile purchases, was followed by an up-turn in durable buying in the three succeeding quarters of the year. The greatest strength was shown in the third quarter, where outlays for all classes of durable goods were advancing.

Spending for non-durables rose by nearly 4 per cent in 1961. The increases in spending were well distributed over the non-durable categories. Among the larger items were increases in food and clothing of 2 per cent, tobacco and alcoholic beverages of 2 1/2 per cent, fuel of 3 per cent, and household cleaning supplies of 5 per cent.

Personal income in 1961 was higher than in the previous year by a little over 3 per cent; however, an increase of 6 per cent in direct taxes paid by persons reduced the gain in disposable income to just under 3 per cent. This represented a considerably smaller advance than the 4 per cent rise in consumer spending, so that the rate of personal saving declined, from 5.9 per cent of disposable income in 1960, to 5.1 per cent in 1961.

Business Gross Fixed Capital Formation

Business gross fixed capital formation, including housing, was estimated at \$6.5 billion in 1961, a decline of about 3 per cent below the 1960 level. All of the decline was centred in business outlays for plant and equipment, which were lower by about 4 per cent; outlays for new housing were very little changed from the levels of the preceding year. The 4 per cent decline in outlays for plant and equipment reflected a large drop, amounting to 11 per cent, in business investment for new machinery and equipment; non-residential construction expenditures in 1961 were higher than the previous year by close to 3 per cent.

The over-all decline in outlays for plant and equipment in 1961 reflected a considerable falling off in investment activity in the durable manufacturing industries, in transportation, and in trade. The low point in outlays appears to have been reached in the second quarter, followed by some recovery in the latter part of the year. By the fourth quarter of 1961, the seasonally adjusted rate of plant and equipment investment was running about 4 per cent above the 1961 annual average, although it was 15 per cent below the record peak reached in the first quarter of 1957.

The decline of 11 per cent in outlays for new machinery and equipment in 1961 reflected major cut-backs in the programmes of the manufacturing and utilities group. The drop of 10 per cent in expenditures by manufacturers in the face of a rising level of production suggests a lack of any general pressures on productive capacity during the year. The 19 per cent decline in machinery and equipment investment by the utilities group is associated with the completion of major projects by the railways and electric power utilities.

The relatively small gain in outlays for non-residential construction in 1961 was associated mainly with a sharp increase in expenditures undertaken by the mining industry, and an expanded building programme in the institutional sector; both hospitals and universities undertook larger capital programmes in 1961. However, these increases were partially offset by reduced spending in the manufacturing industries, particularly the primary metals group and the group processing products of petroleum and coal.

The total value of housing put-in-place showed little change between 1960 and 1961. At a level of \$1.5 billion, the total value of housing construction was only about 1 per cent above that of the previous year. The number of housing units started in 1961 rose from 109,000 units in 1960 to 126,000 units (16 per cent) but the number of units completed fell from 124,000 to 116,000 (-6.5 per cent). The rate of starts, which had risen sharply in the latter part of 1960 and early 1961, in association with the liberalization of lending terms under the National Housing Act, was lower in the last three quarters of the year. The approval of loans under the National Housing Act increased by 67 per cent, to 63,044 in the year; direct lending by Central Mortgage and Housing Corporation increased by just over \$100 million to a level of \$271 million.

Total Mortgage Loans Approved
(Dwelling Units)

	1960	1961	Per Cent Change
National Housing Act Mortgage Loans:			
Chartered Banks	89	17	-80.9
Life, Trust, Loan Companies, etc.	21,724	38,626	77.8
C.M.H.C.	<u>15,932</u>	<u>24,401</u>	<u>53.2</u>
Sub-Totals	37,745	63,044	67.0
Conventional Mortgage Loans:			
All Lending Institutions	<u>42,164</u>	<u>41,465</u>	<u>-1.7</u>
Totals	79,909	104,509	30.8

Investment in Non-Farm Business Inventories

Except in the fourth quarter, when there was a pronounced building up of stocks, accumulation of business inventories had only a small impact on the rate of economic activity in 1961. The change in business inventories by major category for the years 1957 to 1960 and quarterly for 1961 are shown in the accompanying Table:

Non-Farm Business Inventories
(millions of dollars)

Industry	1957	1958	1959	1960	Quarters 1961				1961
					(Seasonally Adjusted at Annual Rates)				
					(1)	(2)	(3)	(4)	
Manufacturing	140	-149	151	66	-24	-60	-84	252	21
Wholesale	71	-44	119	15	68	16	-4	176	64
Retail	27	10	125	174	-64	20	204	224	96
Other	67	-14	19	19	80	192	-12	-148	28
Totals ...	305	-197	414	274	60	168	104	504	209

Manufacturers' stocks were being depleted at an increasing rate until the fourth quarter of 1961 when the movement was sharply reversed. The last quarter's accumulation spread through every stage of fabrication. This build-up was accompanied by rising new orders and a mounting backlog of unfilled orders. In spite of the fourth quarter build-up the ratio of stocks to sales at year-end was the lowest since the end of 1955.

The build-up of inventories in wholesale and retail trade was most pronounced in the closing quarter of the year, particularly at the wholesale level where a sharp turn-around occurred. In both groups the quarterly pattern was to a large extent a reflection of partially offsetting movements in stocks of durable and non-durable goods.

Exports and Imports of Goods and Services

Canada's exports of goods and services rose to \$7.6 billion in 1961, an increase of nearly 8 per cent over the level of 1960. At the same time, imports of goods and services rose by 4 per cent. Thus, the contraction in the deficit on international current account from \$1.1 billion to \$0.9 billion (on the National Accounts basis) was one of the notable developments of the year; the deficit in 1961 was the smallest in any year since 1955. Among the factors raising the value of Canadian trade was the change in the exchange rate of the Canadian dollar. The improvement in the deficit was wholly attributable to the emergence of a surplus in merchandise trade, the first in many years; the deficit on invisible transactions continued to rise to reach the highest level on record, partly because of the unusually high level of dividends paid abroad in the first quarter of the year.

Merchandise exports followed a rising trend through the year and for the year as a whole were \$5.9 billion, 9 per cent higher than in 1960, most of this rise being in volume. Among the influences fostering the growth in exports was the recovery in the United States from a mild and short-lived recession and large sales of wheat to Communist China and Eastern Europe. Exports were also notably higher to Japan, Latin America, and some countries in Western Europe. Exports to the United Kingdom were unchanged, while exports to other countries of the Sterling Area declined slightly.

Domestic Exports
(Percent Change)

Leading Commodities	<u>1Q '61</u> <u>1Q '60</u>	<u>2Q '61</u> <u>2Q '60</u>	<u>3Q '61</u> <u>3Q '60</u>	<u>11 Months '61</u> <u>11 Months '60</u>
Newsprint Paper	4.5	1.3	-0.8	0.3
Wheat	17.6	85.4	83.3	61.8
Lumber and Timber	-7.4	1.8	6.5	1.6
Wood Pulp	-1.3	12.0	5.6	5.6
Uranium Ore	-32.4	-12.9	-30.1	-27.1
Aluminum and Products	-24.7	-3.7	7.7	-5.7
Nickel	9.0	19.4	35.2	26.6
Copper and Products	-8.8	-15.3	-14.0	-10.1
Fish and Fishery Products	6.9	-6.1	4.8	4.7
Farm Machinery and Implements	-13.9	-5.4	-4.6	-7.1
Total Domestic Exports	-2.6	7.6	13.3	8.1
<u>Leading Countries</u>				
United States	-13.0	-0.4	12.1	3.9
United Kingdom	5.3	-8.3	-0.5	-2.2
European Common Market Countries	18.9	27.2	9.1	11.9
Japan	6.7	68.8	32.9	32.1
Other	18.9	36.9	31.1	28.4
Total Domestic Exports	-2.6	7.6	13.3	8.1

The rise in wheat exports accounted for about half the total increase in exports in 1961. Other important contributors were such commodities as nickel, forest products, petroleum and natural gas, cattle and aircraft. Partially offsetting were reduced sales of such major commodities as uranium, iron ore, copper and aluminum.

Merchandise imports, estimated at \$5.7 billion, were up about 3 per cent in 1961, most of this increase being accounted for by the rise in prices of imports. The record value in 1961 compares with a previous peak of \$5.6 billion in 1956, when import prices were considerably lower.

The advance in imports was concentrated in the second half of the year and reflects the renewal of expansionary influences at that time. The gain in imports was widely distributed by commodities. Preliminary data indicate increased imports of many industrial materials and machinery and equipment items, and toward the end of the year, increased purchases of some grain and other agricultural products to help make good the loss in production in Western Canada. Imports of some other types of consumer goods were also higher at the end of the year.

Turning to consider the service account, receipts from services rose by nearly 4 per cent while payments for services rose by nearly 6 per cent. The major factor on the side of payments was a more than 15 per cent rise in the outflow of interest and dividends, a large part of which was concentrated in the first quarter of the year. On the receipts side, there was a considerable rise in income from tourism and travel expenditures, partially offset by changes in other items.

Exports and Imports of Merchandise and Services
(Quarters Seasonally Adjusted at Annual Rates)

	Year 1960	1Q	2Q	3Q	4Q	Year 1961	Percent Change 3Q to 4Q	Percent Change Year '61 Year '60
<u>Exports:</u>								
Merchandise	5,400	5,564	5,608	6,156	6,256	5,896	1.6	9.2
Services (including interest and dividend receipts)	1,622	1,620	1,708	1,700	1,700	1,682	n.c.	3.7
Interest and dividend receipts	(178)	(184)	(232)	(188)	(180)	(196)	-4.3	10.1
Total	7,022	7,184	7,316	7,856	7,956	7,578	1.3	7.9
<u>Imports:</u>								
Merchandise	5,545	5,476	5,464	5,856	6,072	5,717	3.7	3.1
Services (including interest & Dividend Payments) ..	2,615	2,868	2,720	2,752	2,740	2,770	-0.4	5.9
Interest and dividend payments	(669)	(892)	(732)	(748)	(712)	(771)	-4.8	15.2
Total	8,160	8,344	8,184	8,608	8,812	8,487	2.4	4.0

The Government Sector

Government expenditures on goods and services exerted an expansionary influence on the economy in 1961. At an estimated level of \$7.2 billion, they were 7 1/2 per cent higher than in 1960.

The highest rate of increase was in Federal Government outlays for purposes other than defence -- 14.7 per cent -- but defence expenditure was also up significantly. The substantial rise in non-defence outlays reflected higher wage and salary payments, increased public investment outlays, and the accumulation of inventories held by the Agricultural Stabilization Board. At the same time, outlays by provincial and municipal governments were higher by about 7 per cent. Higher wages and salaries were an important element in the increment at all levels of government.

Government Expenditure and Revenue ^{1/}

	1960	1961	Per Cent Change
	(\$ billions)		
Government Expenditure:			
Goods and Services	6.7	7.2	7.5
Transfer Payments to Persons	3.1	3.3	7.1
Interest on Public Debt	1.1	1.1	4.4
Subsidies	0.2	0.3	6.4
^{2/} Totals	11.1	11.9	7.1
Government Revenue:			
Direct Taxes - Persons	2.4	2.5	6.2
Direct Taxes - Corporations	1.6	1.6	3.1
Withholding Taxes ^{3/}	0.1	0.1	41.6
Indirect Taxes	4.7	4.9	4.5
Investment Income	1.0	1.1	5.1
Employer-Employee Contributions	0.7	0.8	6.3
^{2/} Totals	10.5	11.0	5.1
Deficit	0.6	0.9	37.8

^{1/} Percentage changes are based on unrounded data. Figures will not add by +0.1 or -0.1 due to rounding.

^{2/} Excludes inter-governmental transfers.

^{3/} Withholding tax receipts increased sharply in 1961, up 42 per cent to \$109 million, owing largely to an adjustment to bring the tax rate up to 15 per cent for most investment earnings leaving Canada. This change was introduced in the December, 1960, Budget.

Transfer payments to persons increased by about 7 per cent. Transfers paid by the Federal Government were only slightly higher; higher payments were made under social security schemes, but this was offset by the fact that the 1960 figures include payments under the Western Grain Producers Acreage Payment Plan. The major rate of increase -- 17 per cent -- was at the provincial level. The magnitude of this increase is largely accounted for by the rapidly expanding costs of the hospital insurance schemes and the introduction of the provincial government hospital insurance in Quebec at the beginning of the year. An 11 per cent increase in municipal transfer payments is mainly attributable to direct relief.

The changes in expenditure mentioned above, together with some increase in interest on the public debt and in subsidies, brought total government outlays excluding inter-governmental transfers up 7 per cent. At the same time, government revenues rose, reflecting the improvement in economic conditions during the course of the year and some revisions in tax rates. However, the increase was not as large as in expenditure, so that the gap between revenue and expenditure left a deficit (on a National Accounts basis) of over \$890 million in 1961, compared with one of about \$650 million in 1960.

Labour Income

Labour income continued to rise in 1961, and at an estimated \$18.9 billion, was a little more than 4 per cent above 1960, an advance somewhat greater than that in the preceding year. The gain reflected the strengthening of the employment situation during the course of the year, which made for increased numbers of paid workers as well as a somewhat longer work week in some industries. Higher average earnings also played a part.

Most industrial divisions shared in the advance in labour income. Forestry, mining, and construction are the three exceptions; in these industries employment was reduced in 1961. As in the past several years the major gains were in the service-producing group; labour income in non-government service was up 10 per cent, in government service close to 9 per cent, and in finance, insurance and

real estate more than 7 per cent. The advance in the important manufacturing segment, where employment began to pick up during the course of the year, was slightly more than 3 per cent.

Income from Farm Operations

Accrued net income of farm operators was at a level of \$937 million in 1961, about 22 per cent lower than the preceding year. All of the decline can be attributed to the reduction in grain production resulting from drought conditions in the Prairies. This factor, along with the greatly increased export demand for wheat, led to a marked drawing down of farm-held grain inventories in 1961. At year-end, the carry-over of grain on farms and in commercial channels was the lowest since 1950.

Cash income from the sale of farm products, reached an all-time high level in 1961. Major items contributing to the increase were greater returns from the sale of wheat, cattle, calves, poultry, hogs, tobacco and dairy products. The sharp increases in Canadian Wheat Board participation payments and in the undistributed profits of the Wheat Board were a reflection of the higher wheat export sales during the year.

	1960	1961	Change 1961 1960	Per Cent Change 1961 1960
	(\$ millions)			
Farm Cash Income (excluding Canadian Wheat Board Payments)	2,702	2,798	96	3.6
Income-in-Kind	352	350	-2	-0.6
Farm Inventory Change	15	-314	-329	
Gross Income	3,069	2,834	-235	-7.7
Deduct:				
Farm Operating Expenses	1,609	1,696	87	5.4
Depreciation	299	305	6	2.0
Add:				
Adjustment on Grain Transactions ^{1/}	85	159	74	87.1
Other Adjustments	-52	-55	-3	
Accrued Net Income of Farm Operators	1,194	937	-257	-21.5

^{1/} Includes Canadian Wheat Board participation payments as well as the undistributed profits of the Wheat Board.

Corporate Profits

After declining in the first quarter, corporate profits (before taxes and before dividends paid abroad), rose substantially in each of the three succeeding quarters in response to the quickening in economic activity. By the fourth quarter they were at a seasonally adjusted annual rate of \$3.8 billion, 30 per cent above the annual rate of \$3.0 billion in the first quarter, and 4 per cent above the previous peak attained in the fourth quarter of 1959. For the year as a whole the increase amounted to about 5 per cent. Among the factors tending to raise corporate profits during the year was the decline in the exchange rate on the Canadian dollar which has pushed up profit margins in a number of commodity-producing industries whose prices are set in world markets.

A detailed breakdown of corporation profits for the fourth quarter of 1961 is not available at this time. However, the following Table to the end of the third quarter, gives some indication of the movements in selected industries that occurred throughout the year.

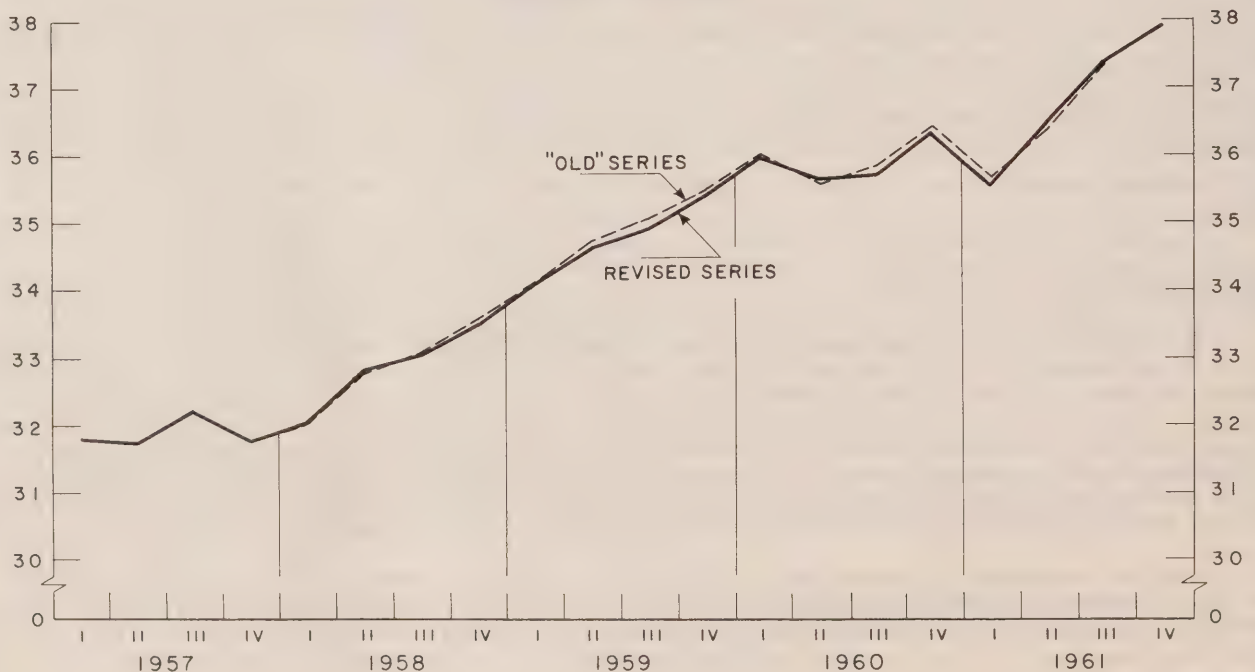
Changes in Corporation Profits - Selected Industries
(Seasonally Adjusted)

	1Q 1961 to 3Q 1961	9 Months 1960 to 9 Months 1961
	%	%
Mining, Quarrying and Oil Wells	30.9	8.6
Manufacturing	21.0	-1.2
Foods and Beverages	-3.1	6.8
Paper Products	12.7	8.1
Iron and Steel Products	53.4	-14.3
Electrical Apparatus and Supplies	55.6	-32.0
Petroleum and Coal Products	34.8	-1.2
Textile Products	-	15.4
Non-Metallic Mineral Products	28.6	11.9
Chemical Products	19.2	-1.1
Transportation, Communication and Storage	41.5	-2.6
Public Utility Operations	10.0	8.8
Wholesale Trade	20.0	-4.4
Retail Trade	43.6	-5.3
Finance, Insurance and Real Estate	9.6	1.6
Service	14.3	-14.5
Total All Industries	21.4	-0.3

GROSS NATIONAL PRODUCT AT MARKET PRICES

(Seasonally Adjusted at Annual Rates)

(BILLIONS OF DOLLARS)



TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1957-61
(millions of dollars)

		1957					1958				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Wages, Salaries, and Supplementary Labour Income	3,777	4,003	4,183	4,055	16,018	3,903	4,146	4,274	4,198	16,521
2.	Military Pay and Allowances	108	116	131	121	476	117	126	125	123	491
3.	Corporation Profits before Taxes and before Dividends Paid to Non-Residents(1)	682	876	806	692	3,056	602	803	826	844	3,075
4.	Deduct: Dividends Paid to Non-Residents(2)	- 101	- 118	- 109	- 147	- 475	- 97	- 96	- 120	- 157	- 470
5.	Rent, Interest, and Miscellaneous Investment Income	484	482	501	513	1,980	476	488	559	581	2,104
6.	Accrued Net Income of Farm Operators from Farm Production(3)	- 1	102	799	126	1,026	23	162	884	131	1,200
7.	Net Income of Non-Farm Unincorporated business(4)	421	513	521	553	2,008	435	532	547	611	2,125
8.	Inventory Valuation Adjustment(5) ..	- 34	- 31	- 12	- 1	- 78	- 35	26	9	- 35	- 35
9.	NET NATIONAL INCOME AT FACTOR COST	5,336	5,943	6,820	5,912	24,011	5,424	6,187	7,104	6,296	25,011
10.	Indirect Taxes less Subsidies	962	974	978	947	3,861	944	975	971	992	3,882
11.	Capital Consumption Allowances and Miscellaneous Valuation Adjustments	960	1,026	1,025	998	4,009	940	986	977	996	3,899
12.	Residual Error of Estimate	- 83	- 87	71	127	28	- 123	- 44	118	151	102
13.	GROSS NATIONAL PRODUCT AT MARKET PRICES	7,175	7,856	8,894	7,984	31,909	7,185	8,104	9,170	8,435	32,894
14.	(Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(7,176)	(7,754)	(8,095)	(7,858)	(30,883)	(7,162)	(7,942)	(8,286)	(8,304)	(31,694)

- (1) In reports prior to 1961 this item was shown after deduction of dividends paid to non-residents, it is now however inclusive of such dividends. In order to derive series consistent with past published figures, lines 3 and 4 must be combined.
- (2) Includes the withholding tax applicable to this item. Also includes some net profits of non-Canadian non-financial corporations. Since the withholding tax is also part of National Product, it is included again in Rent, Interest and Miscellaneous Investment Income.

TABLE 2. Gross National Expenditure, by Quarters, 1957-61
(millions of dollars)

		1957					1958				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Personal Expenditure on Consumer Goods and Services	4,581	5,021	4,983	5,487	20,072	4,869	5,275	5,235	5,866	21,245
2.	Government Expenditure on Goods and Services(1) (2)	1,283	1,335	1,632	1,472	5,722	1,363	1,441	1,774	1,602	6,180
3.	Business Gross Fixed Capital Formation(3)	1,542	1,994	2,002	1,797	7,335	1,410	1,883	1,913	1,769	6,975
4.	New Residential Construction	248	359	393	409	1,409	301	458	494	510	1,763
5.	New Non-Residential Construction	579	775	946	803	3,103	532	718	852	709	2,811
6.	New Machinery and Equipment	715	860	663	585	2,823	577	707	567	550	2,401
7.	Value of Physical Change in Inventories(4)	115	- 32	552	- 404	231	- 300	- 216	560	- 366	- 322
8.	Non-Farm Business Inventories ...	369	30	- 12	- 82	305	- 10	- 117	- 67	- 3	- 197
9.	Farm Inventories and Grain in Commercial Channels	- 254	- 62	564	- 322	- 74	- 290	- 99	627	- 363	- 125
10.	Exports of Goods and Services	1,412	1,581	1,765	1,633	6,391	1,385	1,623	1,658	1,674	6,340
11.	Deduct: Imports of Goods and Services	- 1,841	- 2,131	- 1,968	- 1,873	- 7,813	- 1,666	- 1,945	- 1,852	- 1,960	- 7,423
12.	Residual Error of Estimate	83	88	- 72	- 128	- 29	124	43	- 118	- 150	- 101
13.	GROSS NATIONAL EXPENDITURE AT MARKET PRICES	7,175	7,856	8,894	7,984	31,909	7,185	8,104	9,170	8,435	32,894

- (1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.
- (2) For details of defence expenditures see Tables 7 and 16.

TABLE 1. National Income and Gross National Product, by Quarters, 1957-61
(millions of dollars)

1959					1960					1961					
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
4,121 118	4,368 129	4,497 127	4,477 122	17,463 496	4,319 119	4,529 129	4,681 127	4,590 134	18,119 509	4,423 129	4,702 140	4,903 137	4,856 144	18,884 550	1 2
689	959	931	919	3,498	732	890	864	791	3,277	609	910	969	950	3,438	3
- 106	- 105	- 116	- 174	- 501	- 105	- 108	- 118	- 139	- 470	- 164	- 120	- 132	- 172	- 568	4
547	550	574	610	2,281	578	584	601	627	2,390	610	601	666	652	2,529	5
24	123	909	62	1,118	38	92	979	85	1,194	33	133	680	91	937	6
454 - 26	564 - 53	552 - 30	622 - 21	2,192 - 130	448 - 34	556 - 26	540 - 16	646 21	2,190 - 55	438 12	559 - 16	598 - 31	654 - 51	2,249 - 86	7 8
5,821	6,535	7,444	6,617	26,417	6,095	6,646	7,658	6,755	27,154	6,090	6,909	7,790	7,124	27,913	9
1,000	1,070	1,094	1,087	4,251	1,081	1,132	1,103	1,130	4,446	1,110	1,155	1,137	1,241	4,643	10
946 - 79	1,046 - 113	1,083 40	1,084 109	4,159 - 43	1,030 - 54	1,090 - 155	1,097 105	1,076 139	4,293 35	1,025 - 81	1,080 - 134	1,124 67	1,120 87	4,349 - 61	11 12
7,688	8,538	9,661	8,897	34,784	8,152	8,713	9,963	9,100	35,928	8,144	9,010	10,118	9,572	36,844	13
(7,664)	(8,415)	(8,752)	(8,835)	(33,666)	(8,114)	(8,621)	(8,984)	(9,015)	(34,734)	(8,111)	(8,877)	(9,438)	(9,481)	(35,907)	14

(3) Includes change in farm inventories as shown in line 11, Table 5. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

(4) Includes net income of independent professional practitioners.

(5) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1957-61
(millions of dollars)

1959					1960					1961					
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
5,201	5,595	5,528	6,171	22,495	5,367	5,847	5,745	6,408	23,367	5,569	6,066	5,992	6,626	24,253	1
1,468	1,530	1,802	1,649	6,449	1,488	1,515	1,947	1,733	6,683	1,581	1,630	2,074	1,898	7,183	2
1,329 343	1,875 449	1,927 466	1,763 476	6,894 1,734	1,429 309	1,767 357	1,812 391	1,684 386	6,692 1,443	1,284 247	1,662 364	1,837 441	1,710 406	6,493 1,458	3 4
451 535	651 775	794 667	693 594	2,589 2,571	479 641	623 787	791 630	684 614	2,577 2,672	476 561	623 675	814 582	734 570	2,647 2,388	5 6
25 299	- 129 - 25	752 79	- 298 61	350 414	115 364	- 115 - 24	667 - 103	- 308 37	359 274	- 49 208	- 187 - 57	331 - 47	- 333 105	- 238 209	7 8
- 274 1,346	- 104 1,731	673 1,783	- 359 1,823	- 64 6,683	- 249 1,601	- 91 1,711	770 1,928	- 345 1,782	85 7,022	- 257 1,578	- 130 1,861	378 2,117	- 438 2,022	- 447 7,578	9 10
- 1,761 80	- 2,177 113	- 2,091 - 40	- 2,102 - 109	- 8,131 44	- 1,902 54	- 2,167 155	- 2,031 - 105	- 2,060 - 139	- 8,160 - 35	- 1,900 81	- 2,157 135	- 2,165 - 68	- 2,265 - 86	8,487 62	11 12
7,688	8,538	9,661	8,897	34,784	8,152	8,713	9,963	9,100	35,928	8,144	9,010	10,118	9,572	36,844	13

(3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

(4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1957-1961

Unadjusted for Seasonality(1)

(millions of dollars)

		1957					1958				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Personal Expenditure on Consumer										
	Goods and Services	4,629	5,023	4,959	5,461	20,072	4,790	5,123	5,098	5,696	20,707
2.	Non-Durable Goods	2,333	2,503	2,555	3,011	10,402	2,425	2,532	2,595	3,090	10,642
3.	Durable Goods	518	677	609	626	2,430	531	680	601	652	2,464
4.	Services	1,778	1,843	1,795	1,824	7,240	1,834	1,911	1,902	1,954	7,601
5.	Government Expenditure on Goods and Services	1,309	1,343	1,623	1,447	5,722	1,327	1,437	1,784	1,565	6,113
6.	Business Gross Fixed Capital Formation	1,555	1,998	1,999	1,783	7,335	1,381	1,847	1,877	1,720	6,825
7.	New Residential Construction	251	359	391	408	1,409	298	449	481	494	1,722
8.	New Non-Residential Construction.	582	776	946	799	3,103	526	709	842	690	2,767
9.	New Machinery and Equipment	722	863	662	576	2,823	557	689	554	536	2,336
10.	Change in Inventories	114	- 29	546	- 400	231	- 286	- 251	553	- 330	- 314
11.	Non-Farm Business Inventories ...	366	29	- 9	- 81	305	- 11	- 122	- 64	1	- 196
12.	Farm Inventories and Grain in Commercial Channels	- 252	- 58	555	- 319	- 74	- 275	- 129	617	- 331	- 118
13.	Exports of Goods and Services	1,399	1,574	1,771	1,647	6,391	1,392	1,632	1,670	1,671	6,365
14.	Deduct: Imports of Goods and Services	- 1,852	- 2,130	- 1,973	- 1,858	- 7,813	- 1,621	- 1,918	- 1,835	- 1,939	- 7,313
15.	Residual Error of Estimate	84	88	- 72	- 129	- 29	122	42	- 116	- 147	- 99
16.	GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	7,238	7,867	8,853	7,951	31,909	7,105	7,912	9,031	8,236	32,284

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, which can be derived by dividing the value figures in Table 2 by the constant dollar figures in Table 3, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLE 3. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1957-1961

Unadjusted for Seasonality(1)

(millions of dollars)

1959					1960					1961					
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
5,016	5,386	5,322	5,906	21,630	5,125	5,561	5,460	6,066	22,212	5,254	5,728	5,637	6,240	22,859	1
2,496	2,626	2,705	3,201	11,028	2,554	2,731	2,810	3,248	11,343	2,618	2,825	2,874	3,352	11,669	2
563	746	615	668	2,592	552	727	589	715	2,583	540	729	648	758	2,675	3
1,957	2,014	2,002	2,037	8,010	2,019	2,103	2,061	2,103	8,286	2,096	2,174	2,115	2,130	8,515	4
1,391	1,475	1,747	1,558	6,171	1,360	1,421	1,866	1,610	6,257	1,406	1,511	1,970	1,721	6,608	5
1,276	1,789	1,830	1,667	6,562	1,339	1,645	1,682	1,565	6,231	1,184	1,534	1,696	1,576	5,990	6
329	424	436	444	1,633	287	327	357	352	1,323	226	332	402	369	1,329	7
434	624	758	657	2,473	446	582	736	640	2,404	439	577	760	684	2,460	8
513	741	636	566	2,456	606	736	589	573	2,504	519	625	534	523	2,201	9
42	- 162	724	- 280	324	111	- 138	644	- 284	333	- 34	- 221	268	- 275	- 262	10
290	- 22	79	56	403	351	- 16	- 101	31	265	204	- 51	- 49	105	209	11
- 248	- 140	645	- 336	- 79	- 240	- 122	745	- 315	68	- 238	- 170	317	- 380	- 471	12
1,337	1,710	1,761	1,802	6,610	1,585	1,669	1,883	1,747	6,884	1,550	1,816	2,035	1,942	7,343	13
- 1,734	- 2,152	- 2,075	- 2,097	- 8,058	- 1,876	- 2,110	- 1,978	- 2,013	- 7,977	- 1,830	- 2,070	- 2,033	- 2,134	- 8,067	14
77	107	- 38	- 104	42	51	146	- 99	- 131	- 33	75	127	- 64	- 80	58	15
7,405	8,153	9,271	8,452	33,281	7,695	8,194	9,458	8,560	33,907	7,605	8,425	9,509	8,990	34,529	16

TABLE 4. Sources of Personal Income, by Quarters, 1957-61
(millions of dollars)

		1957					1958				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Wages, Salaries, and Supplementary Labour Income	3,777	4,003	4,183	4,055	16,018	3,903	4,146	4,274	4,198	16,521
2.	Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds	- 145	- 143	- 151	- 151	- 590	- 153	- 149	- 156	- 157	- 615
3.	Military Pay and Allowances	108	116	131	121	476	117	126	125	123	491
4.	Net Income Received by Farm Operators from Farm Production (1)....	18	123	777	108	1,026	44	169	872	116	1,201
5.	Net Income of Non-Farm Unincorporated Business	421	513	521	553	2,008	435	532	547	611	2,125
6.	Interest, Dividends, and Net Rental Income of Persons(2)	496	555	516	574	2,141	527	572	573	605	2,277
	Transfer Payments to Persons:										
7.	From Government (Excluding Interest)	583	458	501	534	2,076	766	633	589	649	2,637
8.	Charitable Contributions by Corporations	9	9	9	9	36	8	10	10	10	38
9.	PERSONAL INCOME	5,267	5,634	6,487	5,803	23,191	5,647	6,039	6,834	6,155	24,675

(1) This item differs from line 6 of Table 1 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 5. Disposition of Personal Income, by Quarters, 1957-61
(millions of dollars)

		1957					1958				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Personal Direct Taxes	466	501	474	476	1,917	455	430	441	469	1,795
2.	Income Taxes	393	445	426	429	1,693	380	375	393	406	1,554
3.	Succession Duties	35	33	28	30	126	33	33	27	33	126
4.	Miscellaneous	38	23	20	17	98	42	22	21	30	115
5.	Personal Expenditure on Consumer Goods and Services	4,581	5,021	4,983	5,487	20,072	4,869	5,275	5,235	5,866	21,245
6.	Non-Durable Goods	2,312	2,504	2,573	3,013	10,402	2,457	2,615	2,659	3,147	10,878
7.	Durable Goods	519	680	608	623	2,430	538	687	600	674	2,499
8.	Services(1)	1,750	1,837	1,802	1,851	7,240	1,874	1,973	1,976	2,045	7,868
9.	Personal Net Saving	220	112	1,030	- 160	1,202	323	334	1,158	- 180	1,635
10.	Personal Saving Excluding Change in Farm Inventories	466	189	480	192	1,327	568	407	565	187	1,727
11.	Value of Physical Change in Farm Inventories	- 246	- 77	550	- 352	- 125	- 245	- 73	593	- 367	- 92
12.	PERSONAL INCOME	5,267	5,634	6,487	5,803	23,191	5,647	6,039	6,834	6,155	24,675
13.	(Personal Disposable Income) (2) ..	(4,801)	(5,133)	(6,013)	(5,327)	(21,274)	(5,192)	(5,609)	(6,393)	(5,686)	(22,880)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 4. Sources of Personal Income, by Quarters, 1957-61
(millions of dollars)

1959					1960					1961					
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
4,121	4,368	4,497	4,477	17,463	4,319	4,529	4,681	4,590	18,119	4,423	4,702	4,903	4,856	18,884	1
- 158	- 152	- 162	- 179	- 651	- 190	- 162	- 191	- 192	- 735	- 194	- 188	- 199	- 200	- 781	2
118	129	127	122	496	119	129	127	134	509	129	140	137	144	550	3
43	147	896	37	1,123	55	97	970	66	1,188	57	108	669	75	909	4
454	564	552	622	2,192	448	556	540	646	2,190	438	559	598	654	2,249	5
582	639	640	690	2,551	653	676	671	742	2,742	672	706	686	786	2,850	6
792	697	618	649	2,756	899	758	717	747	3,121	978	825	754	786	3,343	7
8	12	11	11	42	10	12	11	11	44	9	12	12	12	45	8
5,960	6,404	7,179	6,429	25,972	6,313	6,595	7,526	6,744	27,178	6,512	6,864	7,560	7,113	28,049	9

TABLE 5. Disposition of Personal Income, by Quarters, 1957-61
(millions of dollars)

1959					1960					1961					
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
480	528	527	552	2,087	557	638	576	586	2,357	573	670	628	633	2,504	1
375	444	454	471	1,744	428	551	500	499	1,978	454	584	543	545	2,126	2
35	30	31	34	130	50	37	32	39	158	37	33	38	38	146	3
70	54	42	47	213	79	50	44	48	221	82	53	47	50	232	4
5,201	5,595	5,528	6,171	22,495	5,367	5,847	5,745	6,408	23,367	5,569	6,066	5,992	6,626	24,253	5
2,550	2,686	2,771	3,296	11,303	2,615	2,810	2,901	3,373	11,699	2,713	2,926	3,002	3,498	12,139	6
586	772	625	695	2,678	582	757	598	730	2,667	554	743	642	755	2,694	7
2,065	2,137	2,132	2,180	8,514	2,170	2,280	2,246	2,305	9,001	2,302	2,397	2,348	2,373	9,420	8
279	281	1,124	- 294	1,390	389	110	1,205	- 250	1,454	370	128	940	- 146	1,292	9
530	364	494	78	1,466	583	228	516	112	1,439	605	204	575	222	1,606	10
- 251	- 83	630	- 372	- 76	- 194	- 118	689	- 362	15	- 235	- 76	365	- 368	- 314	11
5,960	6,404	7,179	6,429	25,972	6,313	6,595	7,526	6,744	27,178	6,512	6,864	7,560	7,113	28,049	12
(5,480)	(5,876)	(6,652)	(5,877)	(23,885)	(5,756)	(5,957)	(6,950)	(6,158)	(24,821)	(5,939)	(6,194)	(6,932)	(6,480)	(25,545)	13

TABLE 6. Government Revenue and Expenditure, by Quarters, 1957-61
(millions of dollars)

REVENUE

		1957					1958				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Direct Taxes - Persons	466	501	474	476	1,917	455	430	441	469	1,795
2.	Federal	401	455	432	435	1,723	390	384	396	411	1,581
3.	Provincial and Municipal	65	46	42	41	194	65	46	45	58	214
4.	Direct Taxes - Corporations	318	382	347	290	1,337	274	338	366	337	1,315
5.	Federal	296	313	285	238	1,132	224	276	299	276	1,075
6.	(Federal Tax Collections)	(355)	(342)	(353)	(295)	(1,345)	(305)	(266)	(266)	(263)	(1,100)
7.	Provincial						50	62	67	61	240
8.	(Provincial Tax Collections)	22	69	62	52	205	(65)	(63)	(55)	(56)	(239)
	Withholding Taxes:										
9.	Federal	27	19	20	17	83	8	5	18	16	48
10.	Indirect Taxes	986	1,007	1,005	979	3,977	974	1,009	1,013	1,032	4,028
11.	Federal	496	507	503	484	1,990	444	482	487	499	1,912
12.	Provincial and Municipal	490	500	502	495	1,987	530	527	526	533	2,116
13.	Investment Income	195	220	191	243	849	186	222	236	293	937
14.	Federal	60	83	58	75	276	44	77	86	120	327
15.	Provincial and Municipal	135	137	133	168	573	142	145	150	173	610
16.	Employer and Employee Contributions to Social Insurance and Govern- ment Pension Funds	145	143	151	151	590	153	149	156	157	615
17.	Federal	96	93	97	98	384	100	94	99	98	391
18.	Provincial and Municipal	49	50	54	53	206	53	55	57	59	224
	Transfers from Federal:										
19.	Provincial and Municipal	140	123	126	132	521	159	156	161	187	663
20.	Total Revenue	2,277	2,395	2,314	2,288	9,274	2,209	2,310	2,391	2,491	9,401
21.	Federal	1,376	1,470	1,395	1,347	5,588	1,210	1,319	1,385	1,420	5,334
22.	Provincial and Municipal	901	925	919	941	3,686	999	991	1,006	1,071	4,067

TABLE 7. Government Revenue and Expenditure, by Quarters, 1957-61
(millions of dollars)

EXPENDITURE

		1957					1958				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Goods and Services	1,283	1,335	1,632	1,472	5,722	1,363	1,441	1,774	1,602	6,180
2.	Federal	679	654	723	672	2,728	694	680	759	721	2,854
3.	(Defence)	(511)	(383)	(442)	(429)	(1,765)	(472)	(377)	(404)	(408)	(1,661)
4.	Provincial and Municipal	604	681	909	800	2,994	669	761	1,015	881	3,326
5.	Transfer Payments to Persons (Excluding Interest on the Public Debt)	583	458	501	534	2,076	766	633	589	649	2,637
6.	Federal	395	345	329	394	1,463	541	487	396	475	1,899
7.	Provincial and Municipal	188	113	172	140	613	225	146	193	174	738
8.	Interest on the Public Debt	145	224	147	223	739	149	223	177	233	782
9.	Federal	100	156	113	150	519	102	150	136	156	544
10.	Provincial and Municipal	45	68	34	73	220	47	73	41	77	238
11.	Subsidies	24	33	27	32	116	30	34	42	40	146
12.	Federal	22	31	27	28	108	29	32	35	35	131
13.	Provincial	2	2	-	4	8	1	2	7	5	15
	Transfers to Provincial and Muni- cipal:										
14.	Federal	140	123	126	132	521	159	156	161	187	663
15.	Total Expenditure	2,175	2,173	2,433	2,393	9,174	2,467	2,487	2,743	2,711	10,408
16.	Federal	1,336	1,309	1,318	1,376	5,339	1,525	1,505	1,487	1,574	6,091
17.	Provincial and Municipal	839	864	1,115	1,017	3,835	942	982	1,256	1,137	4,317
18.	Deficit (-) or Surplus (+)	102	222	- 119	- 105	100	- 258	- 177	- 352	- 220	1,007
19.	Federal	40	161	77	- 29	249	- 315	- 186	- 102	- 154	- 757
20.	Provincial and Municipal	62	61	- 196	- 76	- 149	57	9	- 250	- 66	- 250
21.	Total Expenditure Minus Deficit or Plus Surplus	2,277	2,395	2,314	2,288	9,274	2,209	2,310	2,391	2,491	9,401
22.	Federal	1,376	1,470	1,395	1,347	5,588	1,210	1,319	1,385	1,420	5,334
23.	Provincial and Municipal	901	925	919	941	3,686	999	991	1,006	1,071	4,067

TABLE 6. Government Revenue and Expenditure, by Quarters, 1957-61
(millions of dollars)

1959					1960					1961					
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
480	528	527	552	2,087	557	638	576	586	2,357	573	670	628	633	2,504	1
385	452	457	476	1,770	447	556	506	507	2,016	461	582	543	546	2,132	2
95	76	70	76	317	110	82	70	79	341	112	88	85	87	372	3
331	440	410	399	1,580	362	419	403	378	1,562	314	425	455	416	1,610	4
274	364	339	331	1,308	298	344	331	311	1,284	258	348	373	341	1,320	5
(262)	(317)	(303)	(297)	(1,179)	(307)	(407)	(364)	(306)	(1,384)	(302)	(367)	(319)	(301)	(1,289)	6
57	76	71	68	272	64	75	72	67	278	56	77	82	75	290	7
(68)	(66)	(63)	(61)	(258)	(82)	(79)	(81)	(61)	(303)	(77)	(70)	(75)	(63)	(285)	8
21	16	18	17	72	23	19	18	17	77	34	26	26	23	109	10
1,041	1,122	1,148	1,144	4,455	1,130	1,190	1,169	1,192	4,681	1,153	1,207	1,233	1,300	4,893	
459	547	556	569	2,131	501	570	541	569	2,181	496	553	554	587	2,190	11
582	575	592	575	2,324	629	620	628	623	2,500	657	654	679	713	2,703	12
206	246	236	310	998	234	252	245	327	1,058	232	252	284	344	1,112	13
58	88	80	124	350	75	93	80	136	384	67	84	112	143	406	14
148	158	156	186	648	159	159	165	191	674	165	168	172	201	706	15
158	152	162	179	651	190	162	191	192	735	194	188	199	200	781	16
102	93	101	117	413	127	97	125	125	474	128	119	129	131	507	17
56	59	61	62	238	63	65	66	67	261	66	69	70	69	274	18
200	210	230	236	876	250	248	241	255	994	258	298	283	284	1,123	19
2,437	2,714	2,731	2,837	10,719	2,746	2,928	2,843	2,947	11,464	2,758	3,066	3,108	3,200	12,132	20
1,299	1,560	1,551	1,634	6,044	1,471	1,679	1,601	1,665	6,416	1,444	1,712	1,737	1,771	6,664	21
1,138	1,154	1,180	1,203	4,675	1,275	1,249	1,242	1,282	5,048	1,314	1,354	1,371	1,429	5,468	22

TABLE 7. Government Revenue and Expenditure, by Quarters, 1957-61
(millions of dollars)

1959					1960					1961					
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
1,468	1,530	1,802	1,649	6,449	1,488	1,515	1,947	1,733	6,683	1,581	1,630	2,074	1,898	7,183	1
710	709	723	683	2,825	670	634	733	691	2,728	696	716	793	765	2,970	2
(457)	(356)	(371)	(376)	(1,560)	(434)	(336)	(388)	(390)	(1,548)	(438)	(367)	(391)	(421)	(1,617)	3
758	821	1,079	966	3,624	818	881	1,214	1,042	3,955	885	914	1,281	1,133	4,213	4
792	697	618	649	2,756	899	758	717	747	3,121	978	825	754	786	3,343	5
538	460	384	409	1,791	580	494	436	470	1,980	601	519	425	469	2,014	6
254	237	234	240	965	319	264	281	277	1,141	377	306	329	317	1,329	7
171	261	233	289	954	235	263	238	343	1,079	229	289	235	373	1,126	8
117	178	180	203	678	168	169	177	242	756	160	187	169	267	783	9
54	83	53	86	276	67	94	61	101	323	69	102	66	106	343	10
41	52	54	57	204	49	58	66	62	235	43	52	96	59	250	11
40	50	47	51	188	47	54	54	54	209	40	49	83	48	220	12
1	2	7	6	16	2	4	12	8	26	3	3	13	11	30	13
200	210	230	236	876	250	248	241	255	994	258	298	283	284	1,123	14
2,672	2,750	2,937	2,880	11,239	2,921	2,842	3,209	3,140	12,112	3,089	3,094	3,442	3,400	13,025	15
1,605	1,607	1,564	1,582	6,358	1,715	1,599	1,641	1,712	6,667	1,755	1,769	1,753	1,833	7,110	16
1,067	1,143	1,373	1,298	4,881	1,206	1,243	1,568	1,428	5,445	1,334	1,325	1,689	1,567	5,915	17
- 235	- 36	- 206	- 43	- 520	- 175	86	- 366	- 193	- 648	- 331	- 28	- 334	- 200	- 893	18
- 306	- 47	- 13	52	- 314	- 244	80	- 40	- 47	- 251	- 311	- 57	- 16	- 62	- 446	19
71	11	- 193	- 95	- 206	69	6	- 326	- 146	- 397	- 20	29	- 318	- 138	- 447	20
2,437	2,714	2,731	2,837	10,719	2,746	2,928	2,843	2,947	11,464	2,758	3,066	3,108	3,200	12,132	21
1,299	1,560	1,551	1,634	6,044	1,471	1,679	1,601	1,665	6,416	1,444	1,712	1,737	1,771	6,664	22
1,138	1,154	1,180	1,203	4,675	1,275	1,249	1,242	1,282	5,048	1,314	1,354	1,371	1,429	5,468	23

TABLE 8 National Saving Account, by Quarters, 1957-61
(millions of dollars)

SOURCE

		1957					1958				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Personal Net Saving	220	112	1,030	- 160	1,202	323	334	1,158	- 180	1,635
2.	Business Gross Saving	1,106	1,284	1,309	1,164	4,863	1,046	1,249	1,228	1,251	4,774
3.	Undistributed Corporation Profits	165	279	262	148	854	127	270	239	240	876
4.	Capital Consumption Allowances and Miscellaneous Valuation Adjustments	960	1,026	1,025	998	4,009	940	986	977	996	3,899
5.	Adjustment on Grain Transactions(1)	- 19	- 21	22	18	-	- 21	- 7	12	15	- 1
6.	Inventory Valuation Adjustment	- 34	- 31	- 12	- 1	- 78	- 35	26	9	- 35	- 35
7.	Government Surplus (+) or Deficit (-)	102	222	- 119	- 105	100	- 258	- 177	- 352	- 220	- 1,007
8.	Residual Error of Estimate	- 83	- 87	71	127	28	- 123	- 44	118	151	102
9.	Totals	1,311	1,500	2,279	1,025	6,115	953	1,388	2,161	967	5,469

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 4.

TABLE 9. National Saving Account, by Quarters, 1957-61
(millions of dollars)

DISPOSITION

		1957					1958				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Business Gross Fixed Capital Formation	1,542	1,994	2,002	1,797	7,335	1,410	1,883	1,913	1,769	6,975
2.	New Residential Construction	248	359	393	409	1,409	301	458	494	510	1,763
3.	New Non-Residential Construction ..	579	775	946	803	3,103	532	718	852	709	2,811
4.	New Machinery and Equipment	715	860	663	585	2,823	577	707	567	550	2,401
5.	Value of Physical Change in Inventories	115	- 32	552	- 404	231	- 300	- 216	560	- 366	- 322
6.	Surplus (+) or Deficit (-) on Current Account with Non-Residents	- 429	- 550	- 203	- 240	- 1,422	- 281	- 322	- 194	- 286	- 1,083
7.	Residual Error of Estimate	83	88	- 72	- 128	- 29	124	43	- 118	- 150	- 101
8.	Totals	1,311	1,500	2,279	1,025	6,115	953	1,388	2,161	967	5,469

TABLE 8. National Saving Account, by Quarters, 1957-61
(millions of dollars)

1959					1960					1961					
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
279	281	1,124	- 294	1,390	389	110	1,205	- 250	1,454	370	128	940	- 146	1,292	1
1,080	1,334	1,403	1,326	5,143	1,171	1,336	1,343	1,242	5,092	1,024	1,364	1,410	1,358	5,156	2
153	312	307	217	989	158	251	237	147	793	23	259	275	222	779	3
946	1,046	1,083	1,084	4,159	1,030	1,090	1,097	1,076	4,293	1,025	1,080	1,124	1,120	4,349	4
- 19	- 24	13	25	- 5	- 17	- 5	9	19	6	- 24	25	11	16	28	5
- 26	- 53	- 30	- 21	- 130	- 34	- 26	- 16	21	- 55	12	- 16	- 31	- 51	- 86	6
- 235	- 36	- 206	- 43	- 520	- 175	86	- 366	- 193	- 648	- 331	- 28	- 334	- 200	- 893	7
- 79	- 113	40	109	- 43	- 54	- 155	105	139	35	- 81	- 134	67	87	- 61	8
1,019	1,413	2,331	1,077	5,840	1,297	1,351	2,271	959	5,878	994	1,314	2,052	1,048	5,408	9

Table 9. National Saving Account, by Quarters, 1957-61
(millions of dollars)

1959					1960					1961					
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
1,329	1,875	1,927	1,763	6,894	1,429	1,767	1,812	1,684	6,692	1,284	1,662	1,837	1,710	6,493	1
343	449	466	476	1,734	309	357	391	386	1,443	247	364	441	406	1,458	2
451	651	794	693	2,589	479	623	791	684	2,577	476	623	814	734	2,647	3
535	775	667	594	2,571	641	787	630	614	2,672	561	675	582	570	2,388	4
25	- 129	752	- 298	350	115	- 115	667	- 308	359	- 49	- 187	331	- 333	- 238	5
- 415	- 446	- 308	- 279	- 1,448	- 301	- 456	- 103	- 278	- 1,138	- 322	- 296	- 48	- 243	- 909	6
80	113	- 40	- 109	44	54	155	- 105	- 139	- 35	81	135	- 68	- 86	62	7
1,019	1,413	2,331	1,077	5,840	1,297	1,351	2,271	959	5,878	994	1,314	2,052	1,048	5,408	8

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1957-61 Seasonally Adjusted at Annual Rates
(millions of dollars)

		1957				
		I	II	III	IV	Year
1.	Wages, Salaries, and Supplementary Labour Income	15,760	15,972	16,204	16,136	16,018
2.	Military Pay and Allowances	456	460	504	484	476
3.	Corporation Profits before Taxes and before Dividends paid to Non-Residents(1)	3,256	3,184	3,000	2,784	3,056
4.	Deduct: Dividends Paid to Non-Residents(2)	- 448	- 568	- 444	- 440	- 475
5.	Rent, Interest, and Miscellaneous Investment Income	1,976	1,992	2,000	1,952	1,980
6.	Accrued Net Income of Farm Operators from Farm Production(3)	1,012	984	1,016	1,092	1,026
7.	Net Income of Non-Farm Unincorporated Business(4)	2,020	2,000	2,028	1,984	2,008
8.	Inventory Valuation Adjustment	- 136	- 124	- 48	- 4	- 78
9.	NET NATIONAL INCOME AT FACTOR COST	23,896	23,900	24,260	23,988	24,011
10.	Indirect taxes less Subsidies	3,924	3,868	3,864	3,788	3,861
11.	Capital Consumption Allowances and Miscellaneous Valuation Adjustments	4,032	4,020	4,036	3,948	4,009
12.	Residual Error of Estimate	- 28	- 12	84	68	28
13.	GROSS NATIONAL PRODUCT AT MARKET PRICES	31,824	31,776	32,244	31,792	31,909
14.	(Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators)	(30,812)	(30,792)	(31,228)	(30,700)	(30,883)
		1960				
		I	II	III	IV	Year
1.	Wages, Salaries, and Supplementary Labour Income	17,992	18,044	18,172	18,268	18,119
2.	Military Pay and Allowances	500	500	504	532	509
3.	Corporation Profits before Taxes and before Dividends paid to Non-Residents(1)	3,516	3,244	3,176	3,172	3,277
4.	Deduct: Dividends Paid to Non-Residents(2)	- 484	- 488	- 488	- 420	- 470
5.	Rent, Interest, and Miscellaneous Investment Income	2,356	2,396	2,372	2,436	2,390
6.	Accrued Net Income of Farm Operators from Farm Production(3)	1,248	1,136	1,140	1,252	1,194
7.	Net Income of Non-Farm Unincorporated Business(4)	2,176	2,196	2,136	2,252	2,190
8.	Inventory Valuation Adjustment	- 136	- 104	- 64	84	- 55
9.	NET NATIONAL INCOME AT FACTOR COST	27,168	26,924	26,948	27,576	27,154
10.	Indirect Taxes less Subsidies	4,456	4,480	4,392	4,456	4,446
11.	Capital Consumption Allowances and Miscellaneous Valuation Adjustments	4,320	4,320	4,284	4,248	4,293
12.	Residual Error of Estimate	44	- 104	96	104	35
13.	GROSS NATIONAL PRODUCT AT MARKET PRICES	35,988	35,620	35,720	36,384	35,928
14.	(Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators)	(34,740)	(34,484)	(34,580)	(35,132)	(34,734)

(1) See footnote 1, Table 1.

(2) See footnote 2, Table 1.

(3) Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

(4) Includes net income of independent professional practitioners.

TABLE 10. National Income and Gross National Product, by Quarters, 1957-61 Seasonally Adjusted at Annual Rates
(millions of dollars)

1958					1959					
I	II	III	IV	Year	I	II	III	IV	Year	
16,288	16,524	16,552	16,720	16,521	17,172	17,404	17,452	17,824	17,463	1
492	496	484	492	491	496	504	496	488	496	2
2,928	2,880	3,092	3,400	3,075	3,368	3,460	3,476	3,688	3,498	3
- 448	- 456	- 496	- 480	- 470	- 492	- 492	- 484	- 536	- 501	4
1,972	2,016	2,220	2,208	2,104	2,260	2,268	2,268	2,328	2,281	5
1,204	1,240	1,152	1,204	1,200	1,156	1,148	1,128	1,040	1,118	6
2,140	2,064	2,116	2,180	2,125	2,196	2,216	2,164	2,192	2,192	7
- 140	104	36	- 140	- 35	- 104	- 212	- 120	- 84	- 130	8
24,436	24,868	25,156	25,584	25,011	26,052	26,296	26,380	26,940	26,417	9
3,884	3,852	3,840	3,952	3,882	4,120	4,224	4,336	4,324	4,251	10
3,948	3,892	3,816	3,940	3,899	3,984	4,140	4,228	4,284	4,159	11
- 180	260	276	52	102	- 24	-	- 12	- 136	- 43	12
32,088	32,872	33,088	33,528	32,894	34,132	34,660	34,932	35,412	34,784	13
(30,884)	(31,632)	(31,936)	(32,324)	(31,694)	(32,976)	(33,512)	(33,804)	(34,372)	(33,666)	14
1961										
I	II	III	IV	Year						
18,412	18,736	19,060	19,328	18,884						
540	544	544	572	550						
2,956	3,364	3,588	3,844	3,438						
- 748	- 544	- 548	- 512	- 588						
2,480	2,468	2,616	2,552	2,529						
864	932	1,016	936	937						
2,092	2,224	2,372	2,308	2,249						
48	- 64	- 124	- 204	- 86						
26,644	27,660	28,524	28,824	27,913						
4,556	4,584	4,540	4,892	4,643						
4,312	4,284	4,388	4,412	4,349						
48	- 40	- 56	- 196	- 61						
35,560	36,488	37,396	37,932	36,844						
(34,696)	(35,556)	(36,380)	(36,996)	(35,907)						

TABLE 11. Gross National Expenditure, by Quarters, 1957-61 Seasonally Adjusted at Annual Rates
(millions of dollars)

		1957				
		I	II	III	IV	Year
1.	Personal Expenditure on Consumer Goods and Services	19,660	19,976	20,300	20,352	20,072
2.	Government Expenditure on Goods and Services(1)	5,508	5,728	5,820	5,832	5,722
3.	Business Gross Fixed Capital Formation(2)	7,528	7,396	7,296	7,120	7,335
4.	New Residential Construction	1,352	1,364	1,412	1,508	1,409
5.	New Non-Residential Construction	3,060	3,124	3,140	3,088	3,103
6.	New Machinery and Equipment	3,116	2,908	2,744	2,524	2,823
7.	Value of Physical Change in Inventories	708	324	208	- 316	231
8.	Non-Farm Business Inventories	744	300	376	- 200	305
9.	Farm Inventories and Grain in Commercial Channels(3)	- 36	24	- 168	- 116	- 74
10.	Exports of Goods and Services	6,452	6,268	6,524	6,320	6,391
11.	Deduct: Imports of Goods and Services	- 8,056	- 7,932	- 7,820	- 7,444	- 7,813
12.	Residual Error of Estimate	24	16	- 84	- 72	- 29
13.	GROSS NATIONAL EXPENDITURE AT MARKET PRICES	31,824	31,776	32,244	31,792	31,909
Detail of Farm Inventories and GICC:						
	Value of grain crop production	816	816	816	820	817
	Depletions of farm stocks of grain	- 1,016	- 884	- 900	- 1,024	- 956
	Change in livestock inventories	64	8	- 24	8	14
	Grain in Commercial Channels	100	84	- 60	80	51
		1960				
		I	II	III	IV	Year
1.	Personal Expenditure on Consumer Goods and Services	22,856	23,332	23,376	23,904	23,367
2.	Government Expenditure on Goods and Services(1)	6,492	6,544	6,804	6,892	6,683
3.	Business Gross Fixed Capital Formation(2)	7,008	6,548	6,564	6,648	6,692
4.	New Residential Construction	1,624	1,372	1,396	1,380	1,443
5.	New Non-Residential Construction	2,624	2,524	2,580	2,580	2,577
6.	New Machinery and Equipment	2,760	2,652	2,588	2,688	2,672
7.	Value of Physical Change in Inventories	780	484	- 92	264	359
8.	Non-Farm Business Inventories	692	380	- 132	156	274
9.	Farm Inventories and Grain in Commercial Channels(3)	88	104	40	108	85
10.	Exports of Goods and Services	7,244	6,748	7,204	6,892	7,022
11.	Deduct: Imports of Goods and Services	- 8,348	- 8,144	- 8,036	- 8,112	- 8,160
12.	Residual Error of Estimate	- 44	108	- 100	- 104	- 35
13.	GROSS NATIONAL EXPENDITURE AT MARKET PRICES	35,988	35,620	35,720	36,384	35,928
Detail of Farm Inventories and GICC:						
	Value of grain crop production	1,008	1,008	1,008	1,012	1,009
	Depletions of farm stocks of grain	- 860	- 1,016	- 1,132	- 1,024	- 1,008
	Change in livestock inventories	36	- 68	24	64	14
	Grain in Commercial Channels	- 96	180	140	56	70

(1) See footnote 1, Table 2.

(2) See footnote 3, Table 2.

(3) In the seasonally adjusted series, the value of grain crop production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 3, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 11. Gross National Expenditure, by Quarters, 1957-61 Seasonally Adjusted at Annual Rates
(millions of dollars)

1958					1959					
I	II	III	IV	Year	I	II	III	IV	Year	
20,796	21,056	21,392	21,736	21,245	22,212	22,292	22,616	22,860	22,495	1
5,924	6,212	6,292	6,292	6,180	6,364	6,604	6,372	6,456	6,449	2
6,984	7,000	6,924	6,992	6,975	6,656	6,936	7,028	6,956	6,894	3
1,624	1,760	1,796	1,872	1,763	1,820	1,720	1,688	1,708	1,734	4
2,876	2,872	2,796	2,700	2,811	2,500	2,624	2,600	2,632	2,589	5
2,484	2,368	2,332	2,420	2,401	2,336	2,592	2,740	2,616	2,571	6
- 808	- 268	- 88	- 124	- 322	428	184	528	260	350	7
- 688	- 168	- 4	72	- 197	560	224	532	340	414	8
- 120	- 100	- 84	- 196	- 125	- 132	- 40	- 4	- 80	- 64	9
6,324	6,428	6,180	6,428	6,340	6,300	6,700	6,680	7,052	6,683	10
- 7,316	- 7,296	- 7,340	- 7,740	- 7,423	- 7,852	- 8,060	- 8,304	- 8,308	- 8,131	11
184	- 260	- 272	- 56	- 101	24	4	12	136	44	12
32,088	32,872	33,088	33,528	32,894	34,132	34,660	34,932	35,412	34,784	13
860	860	860	860	860	912	912	912	912	912	
- 936	- 1,032	- 964	- 996	- 982	- 1,096	- 968	- 964	- 1,004	- 1,008	
- 12	104	32	- 4	30	12	24	32	12	20	
- 32	- 32	- 12	- 56	- 33	40	- 8	16	-	12	
1961										
I	II	III	IV	Year						
23,784	24,124	24,504	24,600	24,253						
6,924	7,140	7,284	7,384	7,183						
6,392	6,260	6,620	6,700	6,493						
1,344	1,436	1,576	1,476	1,458						
2,616	2,560	2,652	2,760	2,647						
2,432	2,264	2,392	2,464	2,388						
- 332	- 212	- 316	- 92	- 238						
60	168	104	504	209						
- 392	- 380	- 420	- 596	- 447						
7,184	7,316	7,856	7,956	7,578						
- 8,344	- 8,184	- 8,608	- 8,812	- 8,487						
- 48	44	56	196	62						
35,560	36,488	37,396	37,932	36,844						
636	636	636	640	637						
- 1,156	- 1,040	- 928	- 828	- 988						
92	160	12	- 116	37						
36	- 136	- 140	- 292	- 133						

TABLE 12. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1957-1961(1)

Seasonally Adjusted at Annual Rates

(millions of dollars)

		1957					1958				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Personal Expenditure on Consumer										
	Goods and Services	19,852	20,004	20,192	20,240	20,072	20,472	20,448	20,836	21,072	20,707
2.	Non-Durable Goods	10,236	10,356	10,472	10,544	10,402	10,624	10,512	10,660	10,772	10,642
3.	Durable Goods	2,432	2,412	2,452	2,424	2,430	2,436	2,412	2,512	2,496	2,464
4.	Services	7,184	7,236	7,268	7,272	7,240	7,412	7,524	7,664	7,804	7,601
5.	Government Expenditure on Goods and										
	Services	5,604	5,772	5,776	5,736	5,722	5,892	6,172	6,232	6,156	6,113
6.	Business Gross Fixed Capital										
	Formation	7,608	7,408	7,268	7,056	7,335	6,864	6,872	6,780	6,784	6,825
7.	New Residential Construction	1,364	1,368	1,408	1,496	1,409	1,600	1,732	1,752	1,804	1,722
8.	New Non-Residential Construction.	3,088	3,128	3,128	3,068	3,103	2,852	2,836	2,756	2,624	2,767
9.	New Machinery and Equipment	3,156	2,912	2,732	2,492	2,823	2,412	2,304	2,272	2,356	2,336
10.	Change in Inventories	696	312	224	- 308	231	- 796	- 280	- 72	- 108	- 314
11.	Non-Farm Business Inventories ...	744	292	384	- 200	305	- 692	- 168	-	76	- 196
12.	Farm Inventories and Grain in										
	Commercial Channels	- 48	20	- 160	- 108	- 74	- 104	- 112	- 72	- 184	- 118
13.	Exports of Goods and Services	6,404	6,260	6,540	6,360	6,391	6,348	6,480	6,224	6,408	6,365
14.	Deduct: Imports of Goods and										
	Services	- 8,144	- 7,944	- 7,792	- 7,372	- 7,813	- 7,164	- 7,216	- 7,244	- 7,628	- 7,313
15.	Residual Error of Estimate	24	16	- 84	- 72	- 29	172	- 252	- 260	- 56	- 99
16.	GROSS NATIONAL EXPENDITURE IN										
	CONSTANT (1957) DOLLARS	32,044	31,828	32,124	31,640	31,909	31,788	32,224	32,496	32,628	32,284

(1) See also footnote 1, Table 3.

TABLE 12. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1957-1961(1)

Seasonally Adjusted at Annual Rates

(millions of dollars)

1959					1960					1961					
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
21,444	21,480	21,756	21,840	21,630	21,856	22,200	22,220	22,572	22,212	22,476	22,776	23,068	23,116	22,859	1
10,912	10,920	11,100	11,180	11,028	11,156	11,392	11,412	11,412	11,343	11,532	11,736	11,792	11,616	11,669	2
2,592	2,640	2,592	2,544	2,592	2,544	2,544	2,460	2,784	2,583	2,504	2,544	2,744	2,908	2,675	3
7,940	7,920	8,064	8,116	8,010	8,156	8,264	8,348	8,376	8,286	8,440	8,496	8,532	8,592	8,515	4
6,184	6,356	6,040	6,104	6,171	6,148	6,128	6,336	6,416	6,257	6,392	6,608	6,720	6,712	6,608	5
6,396	6,608	6,668	6,576	6,562	6,564	6,096	6,088	6,176	6,231	5,904	5,780	6,108	6,168	5,990	6
1,732	1,624	1,584	1,592	1,633	1,500	1,260	1,276	1,256	1,323	1,220	1,312	1,440	1,344	1,329	7
2,412	2,512	2,476	2,492	2,473	2,448	2,360	2,396	2,412	2,404	2,424	2,376	2,476	2,564	2,460	8
2,252	2,472	2,608	2,492	2,456	2,616	2,476	2,416	2,508	2,504	2,260	2,092	2,192	2,260	2,201	9
404	196	492	204	324	744	464	- 116	240	333	- 364	- 248	- 340	- 96	- 262	10
540	228	520	324	403	668	372	- 132	152	265	64	176	112	484	209	11
- 136	- 32	- 28	- 120	- 79	76	92	16	88	68	- 428	- 424	- 452	- 580	- 471	12
6,252	6,640	6,596	6,952	6,610	7,140	6,592	7,056	6,748	6,884	7,036	7,148	7,564	7,624	7,343	13
- 7,768	- 7,976	- 8,228	- 8,260	- 8,058	- 8,276	- 7,944	- 7,796	- 7,892	- 7,977	- 8,068	- 7,884	- 8,080	- 8,236	- 8,067	14
24	4	12	128	42	- 40	100	- 96	- 96	- 33	- 44	40	52	184	58	15
32,936	33,308	33,336	33,544	33,281	34,136	33,636	33,692	34,164	33,907	33,332	34,220	35,092	35,472	34,529	16

TABLE 13. Sources of Personal Income, by Quarters, 1957-61 Seasonally Adjusted at Annual Rates
(millions of dollars)

		1957					1958				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Wages, Salaries and Supplementary Labour Income	15,760	15,972	16,204	16,136	16,018	16,288	16,524	16,552	16,720	16,521
2.	Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds	- 572	- 580	- 604	- 604	- 590	- 600	- 612	- 624	- 624	- 615
3.	Military Pay and Allowances ..	456	460	504	484	476	492	496	484	492	491
4.	Net Income Received by Farm Operators from Farm Production(1)	1,024	1,000	996	1,084	1,026	1,208	1,208	1,168	1,220	1,201
5.	Net Income of Non-Farm Unincorporated Business	2,020	2,000	2,028	1,984	2,008	2,140	2,064	2,116	2,180	2,125
6.	Interest, Dividends, and Net Rental Income of Persons(2)	2,084	2,152	2,148	2,180	2,141	2,200	2,232	2,348	2,328	2,277
	Transfer Payments to Persons:										
7.	From Government (excluding interest)	1,876	1,868	2,192	2,368	2,076	2,468	2,520	2,684	2,876	2,637
8.	Charitable Contributions by Corporations	36	36	36	36	36	36	36	40	40	38
9.	PERSONAL INCOME	22,684	22,908	23,504	23,668	23,191	24,232	24,468	24,768	25,232	24,675

(1) This item differs from line 6, Table 10 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 14. Disposition of Personal Income, by Quarters, 1957-61 Seasonally Adjusted at Annual Rates
(millions of dollars)

		1957					1958				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Personal Direct Taxes	1,884	1,908	1,924	1,952	1,917	1,868	1,616	1,788	1,908	1,795
2.	Income Taxes	1,656	1,684	1,708	1,724	1,693	1,628	1,380	1,576	1,632	1,554
3.	Succession Duties	140	132	112	120	126	132	132	108	132	126
4.	Miscellaneous	88	92	104	108	98	108	104	104	144	115
5.	Personal Expenditure on Consumer Goods and Services ...	19,660	19,976	20,300	20,352	20,072	20,796	21,056	21,392	21,736	21,245
6.	Non-Durable Goods	10,168	10,352	10,512	10,576	10,402	10,776	10,864	10,880	10,992	10,878
7.	Durable Goods	2,416	2,424	2,484	2,396	2,430	2,436	2,436	2,552	2,572	2,499
8.	Services(1)	7,076	7,200	7,304	7,380	7,240	7,584	7,756	7,960	8,172	7,868
9.	Personal Net Saving	1,140	1,024	1,280	1,364	1,202	1,568	1,796	1,588	1,588	1,635
10.	PERSONAL INCOME	22,684	22,908	23,504	23,668	23,191	24,232	24,468	24,768	25,232	24,675
11.	(Personal Disposable Income)(2)	(20,800)	(21,000)	(21,580)	(21,716)	(21,274)	(22,364)	(22,852)	(22,980)	(23,324)	(22,880)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 13. Sources of Personal Income, by Quarters, 1957-61 Seasonally Adjusted at Annual Rates
(millions of dollars)

1959					1960					1961					
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
17,172	17,404	17,452	17,824	17,463	17,992	18,044	18,172	18,268	18,119	18,412	18,736	19,060	19,328	18,884	1
- 616 496	- 628 504	- 648 496	- 712 488	- 651 496	- 732 500	- 696 500	- 756 504	- 756 532	- 735 509	- 752 540	- 780 544	- 800 544	- 792 572	- 781 550	2 3
1,152	1,188	1,132	1,020	1,123	1,232	1,108	1,160	1,252	1,188	872	808	1,008	948	909	4
2,196	2,216	2,164	2,192	2,192	2,176	2,196	2,136	2,252	2,190	2,092	2,224	2,372	2,308	2,249	5
2,436	2,516	2,604	2,648	2,551	2,720	2,692	2,744	2,812	2,742	2,800	2,832	2,828	2,940	2,850	6
2,608	2,828	2,712	2,876	2,756	2,968	3,008	3,216	3,292	3,121	3,268	3,304	3,360	3,440	3,343	7
40	40	44	44	42	44	44	44	44	44	44	44	44	48	45	8
25,484	26,068	25,956	26,380	25,972	26,900	26,896	27,220	27,696	27,178	27,276	27,712	28,416	28,792	28,049	9

TABLE 14. Disposition of Personal Income, by Quarters, 1957-61 Seasonally Adjusted at Annual Rates
(millions of dollars)

1959					1960					1961					
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
1,992	1,972	2,148	2,236	2,087	2,308	2,352	2,376	2,392	2,357	2,396	2,460	2,584	2,576	2,504	1
1,628	1,620	1,828	1,900	1,744	1,892	1,992	2,016	2,012	1,978	2,024	2,088	2,192	2,200	2,126	2
140	120	124	136	130	200	148	128	156	158	148	132	152	152	146	3
224	232	196	200	213	216	212	232	224	221	224	240	240	224	232	4
22,212	22,292	22,616	22,860	22,495	22,856	23,332	23,376	23,904	23,367	23,784	24,124	24,504	24,600	24,253	5
11,164	11,176	11,344	11,528	11,303	11,436	11,740	11,760	11,860	11,699	11,976	12,164	12,280	12,136	12,139	6
2,664	2,720	2,680	2,648	2,678	2,644	2,632	2,544	2,848	2,667	2,532	2,592	2,768	2,884	2,694	7
8,384	8,396	8,592	8,684	8,514	8,776	8,960	9,072	9,196	9,001	9,276	9,368	9,456	9,580	9,420	8
1,280	1,804	1,192	1,284	1,390	1,736	1,212	1,468	1,400	1,454	1,096	1,128	1,328	1,616	1,292	9
25,484	26,068	25,956	26,380	25,972	26,900	26,896	27,220	27,696	27,178	27,276	27,712	28,416	28,792	28,049	10
(23,492)	(24,096)	(23,808)	(24,144)	(23,885)	(24,592)	(24,544)	(24,844)	(25,304)	(24,821)	(24,880)	(25,252)	(25,832)	(26,216)	(25,545)	11

TABLE 15. Government Revenue and Expenditure, by Quarters, 1957 - 1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

REVENUE

		1957					1958				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Direct Taxes - Persons	1,884	1,908	1,924	1,952	1,917	1,868	1,616	1,788	1,908	1,795
2.	Federal	1,688	1,724	1,732	1,748	1,723	1,664	1,412	1,592	1,656	1,581
3.	Provincial and Municipal	196	184	192	204	194	204	204	196	252	214
4.	Direct Taxes - Corporations	1,484	1,384	1,300	1,180	1,337	1,244	1,260	1,376	1,380	1,315
5.	Federal	1,380	1,128	1,064	956	1,132	1,016	1,032	1,124	1,128	1,075
6.	(Federal Tax Collections)	(1,360)	(1,360)	(1,404)	(1,256)	(1,345)	(1,220)	(1,016)	(1,040)	(1,124)	(1,100)
7.	Provincial						228	228	252	252	240
8.	(Provincial Tax Collections)	104	256	236	224	205	(232)	(240)	(232)	(252)	(239)
9.	Withholding Taxes:										
10.	Federal	92	84	84	72	83	28	24	72	68	48
11.	Indirect Taxes	4,024	3,996	3,984	3,904	3,977	4,020	3,988	4,000	4,104	4,028
12.	Federal	2,064	1,988	1,996	1,912	1,990	1,912	1,876	1,912	1,948	1,912
13.	Provincial and Municipal(1)	1,960	2,008	1,988	1,992	1,987	2,108	2,112	2,088	2,156	2,116
14.	Investment Income	884	872	816	824	849	872	892	1,008	976	937
15.	Federal	320	304	256	224	276	276	288	380	364	327
16.	Provincial and Municipal	564	568	560	600	573	596	604	628	612	610
17.	Employer and Employee Contributions to Social Insurance and Government Pension Funds	572	580	604	604	590	600	612	624	624	615
18.	Federal	376	380	388	392	384	388	392	396	388	391
19.	Provincial and Municipal	196	200	216	212	206	212	220	228	236	224
20.	Transfers from Federal:										
21.	Provincial and Municipal	528	496	520	540	521	608	624	660	760	663
22.	Total Revenue	9,468	9,320	9,232	9,076	9,274	9,240	9,016	9,528	9,820	9,401
23.	Federal	5,920	5,608	5,520	5,304	5,588	5,284	5,024	5,476	5,552	5,334
24.	Provincial and Municipal	3,548	3,712	3,712	3,772	3,686	3,956	3,992	4,052	4,268	4,067

(1) The quarterly figures of real property taxes undadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward, this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 16. Government Revenue and Expenditure, by Quarters, 1957-1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

EXPENDITURE

		1957					1958				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Goods and Services	5,508	5,728	5,820	5,832	5,722	5,924	6,212	6,292	6,292	6,180
2.	Federal	2,680	2,744	2,772	2,716	2,728	2,804	2,836	2,884	2,892	2,854
3.	(Defence)	(1,796)	(1,736)	(1,816)	(1,712)	(1,765)	(1,680)	(1,688)	(1,648)	(1,628)	(1,661)
4.	Provincial and Municipal	2,828	2,984	3,048	3,116	2,994	3,120	3,376	3,408	3,400	3,326
5.	Transfer Payments to Persons (excluding Interest on the Public Debt)	1,876	1,868	2,192	2,368	2,076	2,468	2,520	2,684	2,876	2,637
6.	Federal	1,308	1,324	1,496	1,724	1,463	1,756	1,860	1,896	2,084	1,899
7.	Provincial and Municipal	568	544	696	644	613	712	660	788	792	738
8.	Interest on the Public Debt	732	764	700	760	739	752	768	808	800	782
9.	Federal	520	540	496	520	519	528	528	572	548	544
10.	Provincial and Municipal	212	224	204	240	220	224	240	236	252	238
11.	Subsidies	100	128	120	116	116	136	136	160	152	146
12.	Federal	92	120	112	108	108	124	120	144	136	131
13.	Provincial	8	8	8	8	8	12	16	16	16	15
14.	Transfers to Other Levels of Government:										
15.	Federal	528	496	520	540	521	608	624	660	760	663
16.	Total Expenditure	8,744	8,984	9,352	9,616	9,174	9,888	10,260	10,604	10,880	10,408
17.	Federal	5,128	5,224	5,396	5,608	5,339	5,820	5,968	6,156	6,420	6,091
18.	Provincial and Municipal	3,616	3,760	3,956	4,008	3,835	4,068	4,292	4,448	4,460	4,317
19.	Deficit (-) or Surplus (+)	724	336	- 120	- 540	100	- 648	- 1,244	- 1,076	- 1,060	- 1,007
20.	Federal	792	384	124	- 304	249	- 536	- 944	- 680	- 868	- 757
21.	Provincial and Municipal	- 68	- 48	- 244	- 236	- 149	- 112	- 300	- 396	- 192	- 250
22.	Total Expenditure Minus Deficit or Plus Surplus	9,468	9,320	9,232	9,076	9,274	9,240	9,016	9,528	9,820	9,401
23.	Federal	5,920	5,608	5,520	5,304	5,588	5,284	5,024	5,476	5,552	5,334
24.	Provincial and Municipal	3,548	3,712	3,712	3,772	3,686	3,956	3,992	4,052	4,268	4,067

TABLE 15. Government Revenue and Expenditure, by Quarters, 1957-1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

1959					1960					1961				
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year
1,992	1,972	2,148	2,236	2,087	2,308	2,352	2,376	2,392	2,357	2,396	2,460	2,584	2,576	2,504
1,664	1,648	1,844	1,924	1,770	1,964	2,012	2,040	2,048	2,016	2,048	2,084	2,192	2,204	2,132
328	324	304	312	317	344	340	336	344	341	348	376	392	372	372
1,508	1,588	1,596	1,628	1,580	1,640	1,556	1,516	1,536	1,562	1,432	1,588	1,716	1,704	1,610
1,248	1,320	1,316	1,348	1,308	1,348	1,280	1,244	1,264	1,284	1,176	1,304	1,404	1,396	1,320
(1,088)	(1,172)	(1,188)	(1,268)	(1,179)	(1,320)	(1,468)	(1,432)	(1,316)	(1,384)	(1,332)	(1,276)	(1,252)	(1,296)	(1,289)
260	268	280	280	272	292	276	272	272	278	256	284	312	308	290
(248)	(252)	(260)	(272)	(258)	(300)	(304)	(324)	(284)	(303)	(280)	(276)	(288)	(296)	(285)
72	68	72	76	72	76	80	76	76	77	112	112	108	104	109
4,308	4,428	4,544	4,540	4,455	4,684	4,704	4,640	4,696	4,681	4,764	4,792	4,904	5,112	4,893
2,000	2,120	2,188	2,216	2,131	2,188	2,208	2,136	2,192	2,181	2,164	2,156	2,196	2,244	2,190
2,308	2,308	2,356	2,324	2,324	2,496	2,496	2,504	2,504	2,500	2,600	2,636	2,708	2,868	2,703
964	1,004	1,004	1,020	998	1,076	1,044	1,040	1,072	1,058	1,060	1,060	1,208	1,120	1,112
336	344	360	360	350	404	380	356	396	384	364	360	496	404	406
628	660	644	660	648	672	664	684	676	674	696	700	712	716	706
616	628	648	712	651	732	696	756	756	735	752	780	800	792	781
392	392	404	464	413	480	436	492	488	474	488	504	520	516	507
224	236	244	248	238	252	260	264	268	261	264	276	280	276	274
768	844	940	952	876	964	996	992	1,024	994	1,004	1,176	1,156	1,156	1,123
10,228	10,532	10,952	11,164	10,719	11,480	11,428	11,396	11,552	11,464	11,520	11,968	12,476	12,564	12,132
5,712	5,892	6,184	6,388	6,044	6,460	6,396	6,344	6,464	6,416	6,352	6,520	6,916	6,868	6,664
4,516	4,640	4,768	4,776	4,675	5,020	5,032	5,052	5,088	5,048	5,168	5,448	5,560	5,696	5,466

TABLE 16. Government Revenue and Expenditure, by Quarters, 1957 - 1961 Seasonally Adjusted at Annual Rates
(millions of dollars)

1959					1960					1961				
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year
6,364	6,604	6,372	6,456	6,449	6,492	6,544	6,804	6,892	6,683	6,924	7,140	7,284	7,384	7,183
2,888	2,940	2,736	2,736	2,825	2,728	2,620	2,792	2,772	2,728	2,848	2,968	3,008	3,056	2,970
(1,632)	(1,592)	(1,512)	(1,504)	(1,560)	(1,548)	(1,500)	(1,580)	(1,564)	(1,548)	(1,560)	(1,636)	(1,592)	(1,680)	(1,617)
3,476	3,664	3,636	3,720	3,624	3,764	3,924	4,012	4,120	3,955	4,076	4,172	4,276	4,328	4,213
2,608	2,828	2,712	2,876	2,756	2,968	3,008	3,216	3,292	3,121	3,268	3,304	3,360	3,440	3,343
1,792	1,796	1,768	1,808	1,791	1,900	1,892	2,060	2,068	1,980	1,984	2,024	2,000	2,048	2,014
816	1,032	944	1,068	965	1,068	1,116	1,156	1,224	1,141	1,284	1,280	1,360	1,392	1,329
848	944	1,028	996	954	1,124	1,000	1,072	1,120	1,079	1,084	1,136	1,112	1,172	1,126
584	672	740	716	678	800	692	744	788	756	748	800	764	820	783
264	272	288	280	276	324	308	328	332	323	336	336	348	352	343
188	204	208	216	204	228	224	248	240	235	208	208	364	220	250
172	188	192	200	188	204	200	220	212	209	180	180	332	188	220
16	16	16	16	16	24	24	28	28	26	28	28	32	32	30
768	844	940	952	876	964	996	992	1,024	994	1,004	1,176	1,156	1,156	1,123
10,776	11,424	11,260	11,496	11,239	11,776	11,772	12,332	12,568	12,112	12,488	12,964	13,276	13,372	13,025
6,204	6,440	6,376	6,412	6,358	6,596	6,400	6,808	6,864	6,667	6,764	7,148	7,260	7,268	7,110
4,572	4,984	4,884	5,084	4,881	5,180	5,372	5,524	5,704	5,445	5,724	5,816	6,016	6,104	5,915
- 548	- 892	- 308	- 332	- 520	- 296	- 344	- 936	- 1,016	- 648	- 968	- 996	- 800	- 808	- 893
- 492	- 548	- 192	- 24	- 314	- 136	- 4	- 464	- 400	- 251	- 412	- 628	- 344	- 400	- 446
- 56	- 344	- 116	- 308	- 206	- 160	- 340	- 472	- 616	- 397	- 556	- 368	- 456	- 408	- 447
10,228	10,532	10,952	11,164	10,719	11,480	11,428	11,396	11,552	11,464	11,520	11,968	12,476	12,564	12,132
5,712	5,892	6,184	6,388	6,044	6,460	6,396	6,344	6,464	6,416	6,352	6,520	6,916	6,868	6,664
4,516	4,640	4,768	4,776	4,675	5,020	5,032	5,052	5,088	5,048	5,168	5,448	5,560	5,696	5,468

TABLE 17. National Saving Account, by Quarters, 1957-61 Seasonally Adjusted at Annual Rates
(millions of dollars)

SOURCE

		1957					1958				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Personal Net Saving	1,140	1,024	1,280	1,364	1,202	1,568	1,796	1,588	1,588	1,635
2.	Business Gross Saving	4,956	4,848	4,928	4,720	4,863	4,768	4,688	4,580	5,060	4,774
3.	Undistributed Corporation Profits	936	844	872	764	854	824	764	780	1,136	876
4.	Capital Consumption Allowances, etc.	4,032	4,020	4,036	3,948	4,009	3,948	3,892	3,816	3,940	3,899
5.	Adjustment on Grain Trans- actions(1)	- 12	- 16	20	8	-	- 4	32	- 16	- 16	- 1
6.	Inventory Valuation Adjustment ...	- 136	- 124	- 48	- 4	- 78	- 140	104	36	- 140	- 35
7.	Government Surplus (+) or Deficit (-)	724	336	- 120	- 540	100	- 648	- 1,244	- 1,076	- 1,060	- 1,007
8.	Residual Error of Estimate	- 28	- 12	84	68	28	- 180	260	276	52	102
9.	Totals	6,656	6,072	6,124	5,608	6,115	5,368	5,604	5,404	5,500	5,469

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 4.

TABLE 18. National Saving Account, by Quarters, 1957-61 Seasonally Adjusted at Annual Rates
(millions of dollars)

DISPOSITION

		1957					1958				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Business Gross Fixed Capital Formation	7,528	7,396	7,296	7,120	7,335	6,984	7,000	6,924	6,992	6,975
2.	New Residential Construction	1,352	1,364	1,412	1,508	1,409	1,624	1,760	1,796	1,872	1,763
3.	New Non-Residential Construction	3,060	3,124	3,140	3,088	3,103	2,876	2,872	2,796	2,700	2,811
4.	New Machinery and Equipment	3,116	2,908	2,744	2,524	2,823	2,484	2,368	2,332	2,420	2,401
5.	Value of Physical Change in Inventories	708	324	208	- 316	231	- 808	- 268	- 88	- 124	- 322
6.	Surplus (+) or Deficit (-) on Current Account with Non- Residents	- 1,604	- 1,664	- 1,296	- 1,124	- 1,422	- 992	- 868	- 1,160	- 1,312	- 1,083
7.	Residual Error of Estimate	24	16	- 84	- 72	- 29	184	- 260	- 272	- 56	- 101
8.	Totals	6,656	6,072	6,124	5,608	6,115	5,368	5,604	5,404	5,500	5,469

TABLE 17. National Saving Account, by Quarters, 1957-61 Seasonally Adjusted at Annual Rates
(millions of dollars)

SOURCE

1959					1960					1961					
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
1,280	1,804	1,192	1,284	1,390	1,736	1,212	1,468	1,400	1,454	1,096	1,128	1,328	1,616	1,292	1
4,952	5,064	5,192	5,364	5,143	5,292	5,084	4,976	5,016	5,092	4,628	5,196	5,260	5,540	5,156	2
964	964	968	1,060	989	956	736	712	768	793	324	788	864	1,140	779	3
3,984	4,140	4,228	4,284	4,159	4,320	4,320	4,284	4,248	4,293	4,312	4,284	4,388	4,412	4,349	4
4	- 40	- 4	20	- 5	16	28	- 20	-	6	- 8	124	8	- 12	28	5
- 104	- 212	- 120	- 84	- 130	- 136	- 104	- 64	84	- 55	48	- 64	- 124	- 204	- 86	6
- 548	- 892	- 308	- 332	- 520	- 296	- 344	- 936	- 1,016	- 648	- 968	- 996	- 800	- 808	- 893	7
- 24	-	- 12	- 136	- 43	44	- 104	96	104	35	48	- 40	- 56	- 196	- 61	8
5,556	5,764	5,944	6,096	5,840	6,640	5,744	5,540	5,588	5,878	4,852	5,224	5,608	5,948	5,408	9

TABLE 18. National Saving Account, by Quarters, 1957-61 Seasonally Adjusted at Annual Rates
(millions of dollars)

DISPOSITION

1959					1960					1961					
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
6,656	6,936	7,028	6,956	6,894	7,008	6,548	6,564	6,648	6,692	6,392	6,260	6,620	6,700	6,493	1
1,820	1,720	1,688	1,708	1,734	1,624	1,372	1,396	1,380	1,443	1,344	1,436	1,576	1,476	1,458	2
2,500	2,624	2,600	2,632	2,589	2,624	2,524	2,580	2,580	2,577	2,616	2,560	2,652	2,760	2,647	3
2,336	2,592	2,740	2,616	2,571	2,760	2,652	2,588	2,688	2,672	2,432	2,264	2,392	2,464	2,388	4
428	184	528	260	350	780	484	- 92	264	359	- 332	- 212	- 316	- 92	- 238	5
- 1,552	- 1,360	- 1,624	- 1,256	- 1,448	- 1,104	- 1,396	- 832	- 1,220	- 1,138	- 1,160	- 868	- 752	- 856	- 909	6
24	4	12	136	44	- 44	108	- 100	- 104	- 35	- 48	44	56	196	62	7
5,556	5,764	5,944	6,096	5,840	6,640	5,744	5,540	5,588	5,878	4,852	5,224	5,608	5,948	5,408	8

ANNUAL TABLES

TABLE 19. Business Gross Fixed Capital Formation, By Industry, 1957-61⁽¹⁾
(millions of dollars)

	1957	1958	1959	1960	1961
1. Agriculture	434	465	539	550	521
2. Fishing and Trapping					
3. Forestry	48	33	48	54	49
4. Mining, Quarrying, and Oil Wells	606	342	342	400	451
5. Manufacturing	1,479	1,095	1,144	1,178	1,024
6. Construction	158	157	145	130	132
7. Transportation	1,042	967	746	704	638
8. Storage					
9. Communication ⁽²⁾	312	336	325	377	341
10. Electric Power, Gas and Water Utilities.	949	845	766	686	677
11. Trade	370	356	363	381	329
12. Finance, Insurance and Real Estate ⁽³⁾ ..	1,545	1,943	2,001	1,722	1,765
13. Service ⁽⁴⁾	392	436	475	510	566
14. Total	7,335	6,975	6,894	6,692	6,493

- (1) This table is derived from "Private and Public Investment in Canada", publications. Additional detail has been provided by the DBS Business Finance Division, and adjustments have been made to bring the data into line with National Accounting concepts. See reconciliation statement, Table 20. For an industrial distribution of total private and public investment, see Table 1 in the aforementioned publications.
- (2) Excludes investment expenditures by the Canadian Broadcasting Corporation, which are included in "Government Expenditure on Goods and Services".
- (3) Includes all new residential construction, (exclusive of government other than government business enterprise). See Table 2.
- (4) Excludes government departmental expenditures, federal hospital, provincial hospital and school, and municipal school expenditures, which are included with "Government Expenditure on Goods and Services". Investment expenditure of government business enterprises (railway, power commissions, etc.), are included under appropriate industry headings.

TABLE 20. Business Gross Fixed Capital Formation, 1957-61
Reconciliation Statement
(millions of dollars)

	1957	1958	1959	1960	1961
1. Total Private and Public Investment in Canada ⁽¹⁾ ..	8,717	8,364	8,417	8,262	8,109
2. Deduct: New Residential Construction by Governments ⁽²⁾	-21	-19	-18	-13	-9
3. New Non-Residential Construction by Governments	-1,251	-1,237	-1,368	-1,420	-1,460
4. New Machinery and Equipment Outlays by Governments	-110	-133	-137	-137	-147
5. Business Gross Fixed Capital Formation	7,335	6,975	6,894	6,692	6,493

(1) As presented in the publications "Private and Public Investment in Canada".

(2) Excludes residential construction under Veterans' Land Act, construction of veterans' rental housing by Central Mortgage and Housing Corporation, and joint federal-provincial housing (Section 36, National Housing Act) which are included under line 5.

TABLE 21. Exports and Imports of Goods and Services, 1957-61⁽¹⁾
Reconciliation Statement
(millions of dollars)

	1957	1958	1959	1960	1961
<u>Exports of Goods and Services:</u>					
1. Merchandise Exports	4,894	4,887	5,150	5,400	5,896
2. Gold Production Available for Export	147	160	148	162	158
3. Interest and Dividends Received from Non-Residents	154	168	182	178	196
4. Other Receipts from Services Rendered to Non-Residents	1,320	1,222	1,312	1,384	1,431
5. Subtotal: "Current Receipts" as per Canadian Balance of International Payments	6,515	6,437	6,792	7,124	7,681
6. Inheritances and Immigrants' Funds	-124	-97	-109	-102	-103
7. Total "Exports of Goods and Services" as per National Accounts ⁽²⁾	6,391	6,340	6,683	7,022	7,578
<u>Imports of Goods and Services:</u>					
8. Merchandise Imports	5,488	5,066	5,572	5,545	5,717
9. Interest and Dividends Paid to Non-Residents ...	589	612	671	669	771
10. Other Payments for Services Rendered to Non-Residents	1,893	1,890	2,053	2,127	2,182
11. Subtotal: "Current Payments" as per Canadian Balance of International Payments	7,970	7,568	8,296	8,341	8,670
12. Inheritances and Emigrants Funds	-157	-145	-165	-181	-183
13. Total "Imports of Goods and Services" as per National Accounts ⁽²⁾	7,813	7,423	8,131	8,160	8,487

(1) Data sources are the reports "Canadian Balance of International Payments" (Balance of Payments Section, Dominion Bureau of Statistics), and other information received from the Balance of Payments Section. Figures exclude mutual aid to N.A.T.O. countries.

(2) See also Table 2.

TABLE 22. Gross National Expenditure in Constant (1949) Dollars, 1955-61(1)

	1955	1956	1957	1958	1959	1960	1961
	(millions of dollars)						
1. Personal Expenditure on Consumer Goods and Services	14,662	15,603	16,083	16,585	17,331	17,797	18,318
2. Government Expenditure on Goods and Services	3,563	3,794	3,833	4,093	4,134	4,190	4,426
3. Current Expenditure	2,767	2,869	2,867	3,044	3,030	3,040	3,203
4. Gross Fixed Capital Formation	796	925	968	1,056	1,111	1,159	1,233
5. Adjusting Entry	-	-	- 2	- 7	- 7	- 9	- 10
6. Business Gross Fixed Capital Formation	3,962	4,891	5,115	4,761	4,575	4,345	4,178
7. New Residential Construction	1,040	1,110	998	1,219	1,157	937	941
8. New Non-Residential Construction	1,365	1,816	2,112	1,884	1,683	1,637	1,675
9. New Machinery and Equipment	1,557	1,965	1,995	1,650	1,735	1,770	1,555
10. Adjusting Entry	-	-	10	8	-	1	7
11. Change in Inventories	419	955	210	- 286	295	303	- 238
12. Non-Farm Business Inventories	134	648	246	- 158	325	214	169
13. Farm Inventories and Grain in Commercial Channels	285	307	- 89	- 141	- 95	81	- 564
14. Adjusting Entry	-	-	53	13	65	8	157
15. Exports of Goods and Services	4,969	5,340	5,389	5,368	5,574	5,803	6,191
16. Deduct: Imports of Goods and Services .	- 5,742	- 6,662	- 6,571	- 6,150	- 6,776	- 6,711	- 6,784
17. Residual Error of Estimate	87	- 110	- 22	- 74	32	- 25	44
18. Adjusting Entry	-	-	80	100	- 8	- 85	- 38
19. Gross National Expenditure in Constant (1949) Dollars	21,920	23,811	24,117	24,397	25,157	25,617	26,097

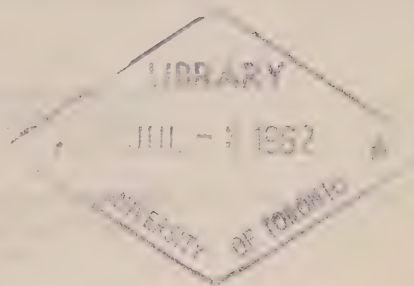
(1) The annual price indexes from 1957 to 1961, implicit in Table 3, were converted to a 1949 base using 1956 as the year of overlap between old and new series. They were then divided into the current dollar figures of Table 2, to give the constant (1949) dollar series shown above. This procedure was followed in the case of Gross National Expenditure, line 19, as well as the major components. It may be noted that this procedure yields year-to-year movements in the constant dollar series which are identical with those shown in Table 3. However, a small residual difference, produced by the change in the major group weighting pattern, is entered to make the components add up to the Gross National Expenditure in constant (1949) dollars as determined in this way.



Canada. Statistics, Bureau of

NATIONAL ACCOUNTS
INCOME AND EXPENDITURE
FIRST QUARTER

1962



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In order to obtain a complete historical record of the current dollar quarterly National Accounts, the following publications should be consulted:

"National Accounts, Income and Expenditure, by Quarters, 1947-1957", for the years 1947-1954.

"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1960", for the years 1955-1956.

"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1961", for the years 1957-1960.

The historical record of the recently introduced series of Gross National Expenditure in constant (1957) Dollars, both unadjusted and adjusted for seasonal variation, may be found in the publications:

"National Accounts, Income and Expenditure, First Quarter 1961", for the years 1947-1956.

"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1961", for the years 1957-1960.

The tables in this report have been rearranged to correspond with the historical supplement, "National Accounts, Income and Expenditure, by Quarters, 1947-61", which will be published shortly.

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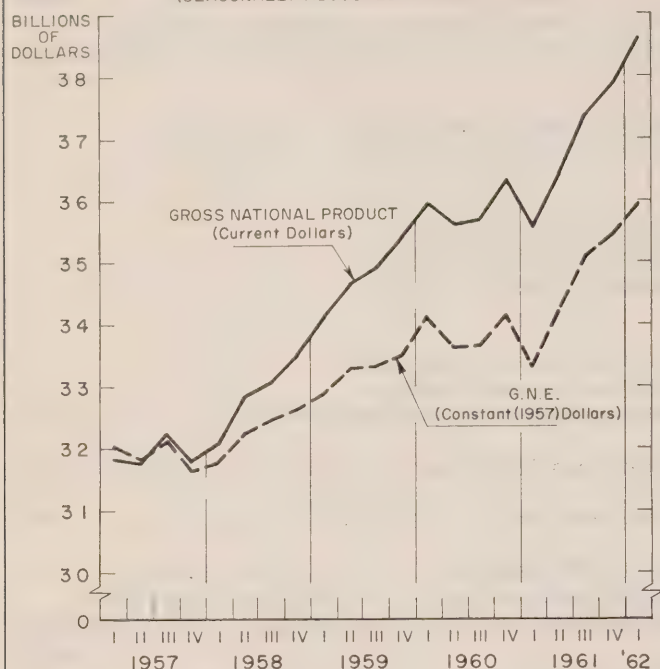
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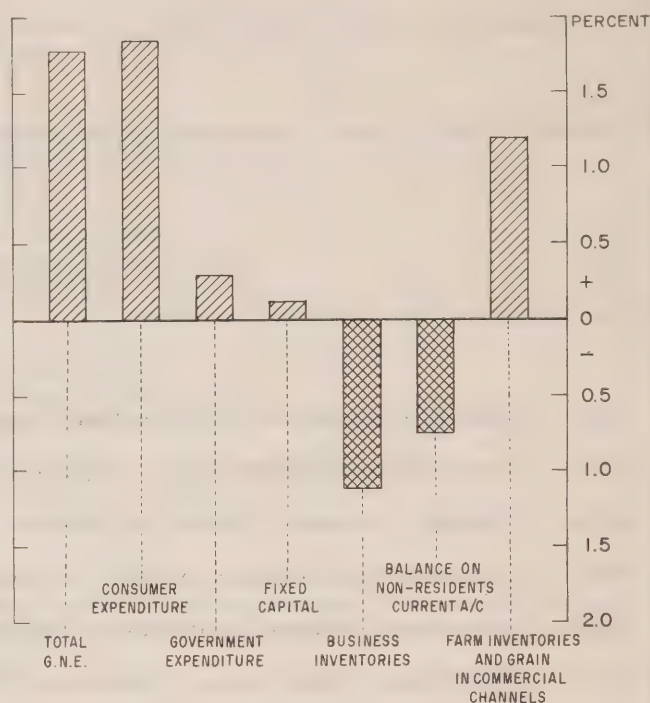
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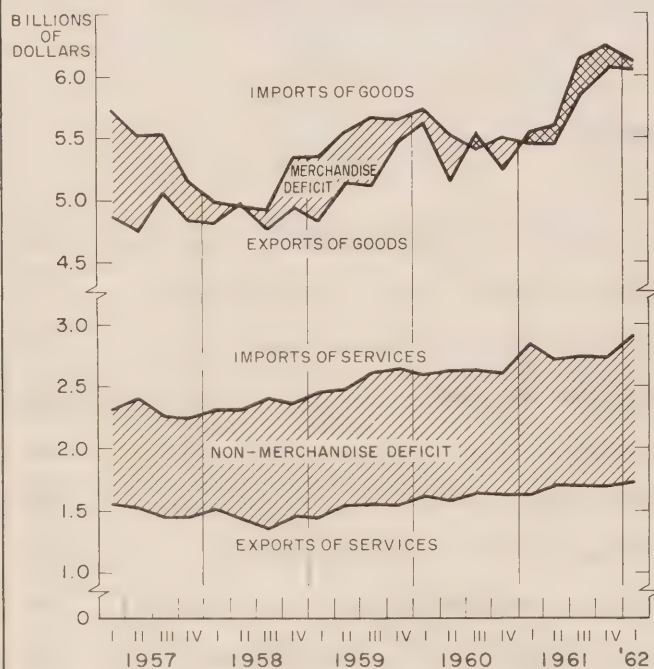
THE EXPANSION IN G.N.P. THAT OCCURRED IN 1961 CONTINUED INTO THE FIRST QUARTER OF 1962. ABOUT ONE-HALF OF THE CURRENT INCREASE OF 2 PER CENT WAS IN THE FARM SECTOR SO THAT NON-FARM G.N.P. INCREASED AT A LESSER RATE
(SEASONALLY ADJUSTED AT ANNUAL RATES)



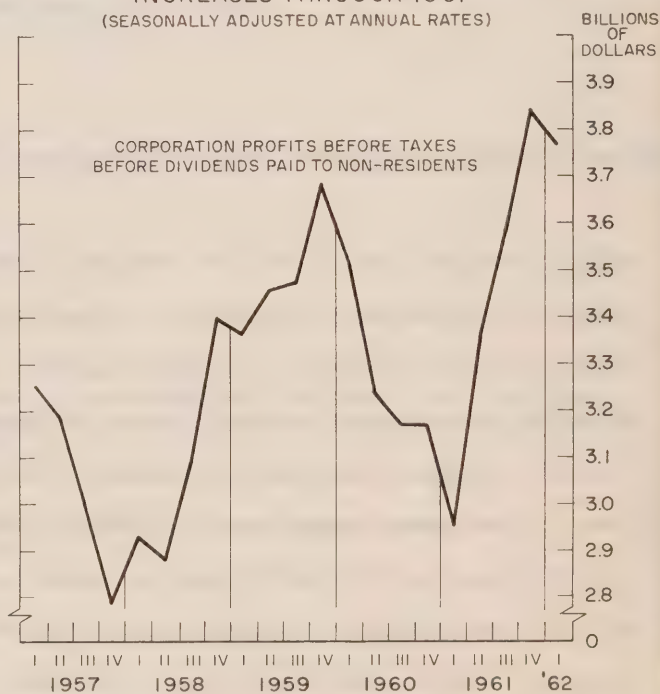
CONTRIBUTION TO THE PERCENTAGE CHANGE IN G.N.E. BY COMPONENTS
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(BASED ON SEASONALLY ADJUSTED DATA)



THE DEFICIT ON CURRENT ACCOUNT ROSE IN THE FIRST QUARTER, REFLECTING AN ENLARGED DEFICIT ON INVISIBLES. THE SURPLUS ON GOODS, CHARACTERISTIC OF 1961, DWINDLED IN THE FIRST QUARTER
(SEASONALLY ADJUSTED AT ANNUAL RATES)



CORPORATION PROFITS LEVELLED OFF FOLLOWING THE SHARP QUARTER TO QUARTER INCREASES THROUGH 1961
(SEASONALLY ADJUSTED AT ANNUAL RATES)



INTRODUCTORY REVIEW

Gross National Product continued to advance in the first quarter of 1962. At a seasonally adjusted annual rate of \$38.6 billion it was about 2 per cent higher than in the fourth quarter of 1961. There was some rise in prices and gross national expenditure in constant dollars is estimated to have risen about $1\frac{1}{2}$ per cent. It should be noted that about half of the increase in the value of Gross National Product is statistical rather than economic, in that the estimate of this year's crop assumes a normal harvest in contrast to the poor harvest of last year. ^{1/} This in itself involves an increase of about \$360 million in the value of production. In the non-farm sector the quarter to quarter increase is about 1 per cent.

The major factor contributing to the expansion in economic activity was consumer spending, which recorded one of the largest quarterly gains in recent years. On the other hand, additions to business inventories, which had been an important increment to the demands on current production in the fourth quarter of 1961, ceased to be an expansionary influence. The liquidation of farm inventories in the fourth quarter, a reflection of heavy sales and a poor crop, was sharply reduced in the first, given the crop estimate stated above. Government expenditure on goods and services added an element of support to the rising level of economic activity. Gross fixed capital formation gave little stimulus

to economic expansion; a considerable increase in housing was partly offset by lower outlays for plant and equipment. Moreover, the deficit on current international transactions widened; payments on invisibles continued to advance in excess of receipts and the surplus on merchandise account, which had emerged in 1961 dwindled in the first quarter of 1962, as exports failed to maintain the rising rate characteristic of 1961 and imports remained level.

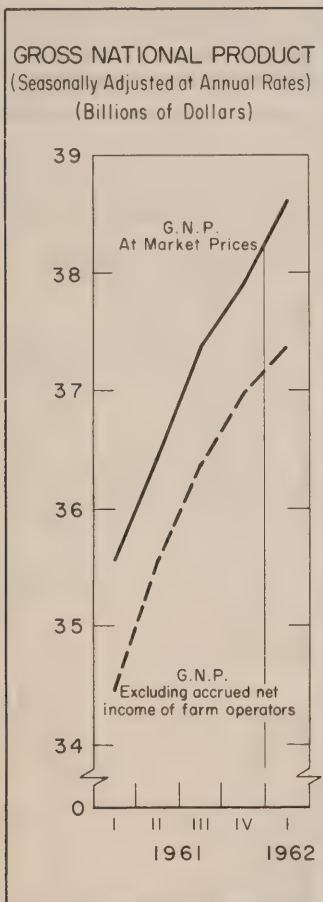
On the income side, the salient features in the first quarter were the levelling off in corporate profits, following the upsurge that accompanied the expansion in 1961, and the continuing rate of increase in labour income which has accompanied the upswing to date. Given the method of estimating farm income, it shows a large increase from the preceding quarter.

For the second quarter in succession, prices advanced by about one-half of 1 per cent, following a period of stable prices in 1961. Most of the increase in prices was recorded in the capital goods sector, while consumer goods showed little price increase.

The current expansion in economic activity was initiated in the first quarter of 1961. It is interesting to review progress thus far in the perspective of the first four quarters of previous upswings. Gross National Product, non-farm, in the first quarter of 1962 was 8 per cent above the trough a year earlier, with diminishing rates of increase -- 2.5, 2.3, 1.7, and 1.1 per cent -- from quarter to quarter. The 8 per cent increase in Gross National Product, non-farm, in the first four quarters of the expansion compares with one of nearly 10 per cent in 1949-1950, of 8 per cent in 1954-1955, and of 7 per cent in 1958-1959.

This expansion thus far differs from the short-lived expansion of 1958-1959 in three important respects. The shift in business inventories from the first quarter of 1961

to the first quarter of 1962 has been insignificant in contrast to a considerable swing in the comparable period of 1958-1959. Exports have risen considerably as opposed to being stagnant in the earlier period. Finally, business capital formation has shown a significant rise in this expansion, compared



^{1/} The estimate is based on acreage intentions and 10-year average yields.

Quarter to Quarter Changes in Final Purchases
(Seasonally Adjusted at Annual Rates)
(\$ millions)

	2Q'58	3Q'58	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59	1Q'60	2Q'60	3Q'60	4Q'60	1Q'61	2Q'61	3Q'61	4Q'61
	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to
	3Q'58	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59	1Q'60	2Q'60	3Q'60	4Q'60	1Q'61	2Q'61	3Q'61	4Q'61	1Q'62
1. Personal Expenditure	336	344	476	80	324	244	-4	476	44	528	-120	340	380	96	712
2. Government Expenditure	80	-	72	240	-232	84	36	52	260	88	32	216	144	100	112
3. Residential Construction	36	76	-52	-100	-32	20	-84	-252	24	-16	-36	92	140	-100	72
4. Non-Res. Construction	-76	-96	-200	124	-24	32	-8	-100	56	-	36	-56	92	108	n.c.
5. Machinery and Equipment	-36	88	-84	256	148	-124	144	-108	-64	100	-256	-168	128	72	-20
6. Exports	-248	248	-128	400	-20	372	192	-496	456	-312	292	132	540	100	-124
7. Total Final Purchases	92	660	84	1,000	164	628	276	-428	776	388	-52	556	1,424	376	752
8. (Final Domestic Demand)	(340)	(412)	(212)	(600)	(184)	(256)	(84)	(68)	(320)	(700)	(-344)	(424)	(884)	(276)	(876)

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in Non-Farm Business Inventories	164	76	488	-336	308	-192	352	-312	-512	288	-96	108	-64	400	-432
10. Imports	44	400	112	208	244	4	40	-204	-108	76	232	-160	424	204	164
11. G.N.P. (ex. Farm)	304	388	652	536	292	568	368	-256	96	552	-436	860	824	616	384

Constant (1957) Dollars
Quarter to Quarter Percentage Changes in Selected Items

12. Final Domestic Demand	1.1	0.5	-	1.2	0.1	0.2	0.1	-0.4	0.6	1.5	-1.1	1.1	2.1	0.3	1.8
13. Total Final Purchases	0.3	0.9	-0.4	2.0	-0.1	1.0	0.6	-1.7	1.7	0.5	-0.2	1.2	2.7	0.4	1.1
14. Gross National Expenditure ..	0.8	0.4	0.9	1.1	0.1	0.6	1.8	-1.5	0.2	1.4	-2.4	2.7	2.5	1.1	1.4

with some decline in the previous period, and the increase has occurred in the cyclically sensitive plant and equipment expenditures as well as in residential construction.

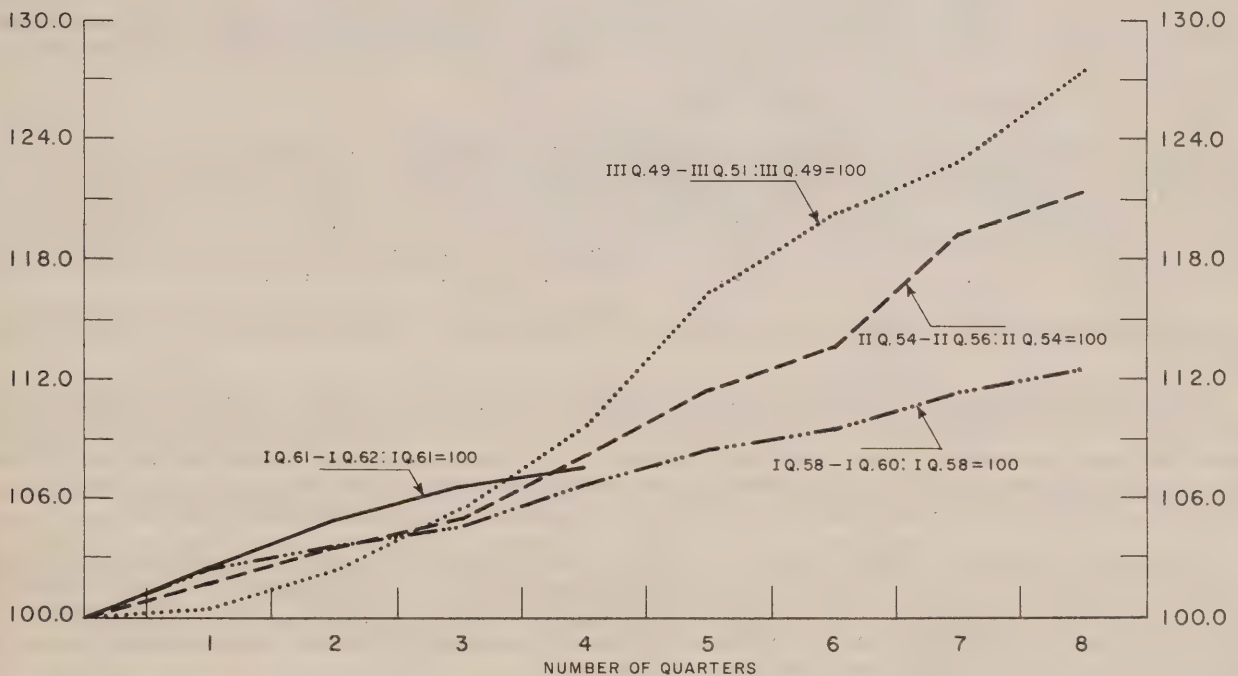
Quarter to Quarter Changes in Selected Expenditure Components
Over Four Quarters of the Last Two Post-War Expansions

(Seasonally Adjusted at Annual Rates)

(\$ Millions)

	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>Total</u>
<u>1st Quarter, 1958 to 1st Quarter, 1959</u>					
'Shift' in Business Inventories	520	164	76	488	1,248
Exports	104	-248	248	-128	-24
Business Gross Fixed Capital Formation	16	-76	68	-336	-328
<u>1st Quarter, 1961 to 1st Quarter, 1962</u>					
'Shift' in Business Inventories	108	-64	400	-432	12
Exports	132	540	100	-124	648
Business Gross Fixed Capital Formation	-132	360	80	52	360

INDEX OF G.N.P. (EX FARM) OVER 8 QUARTERS OF POST-WAR EXPANSIONS



Production and Employment

Real output showed an increase of about $1\frac{1}{2}$ per cent on a seasonally adjusted basis in the first quarter compared with the fourth quarter of 1961. When agriculture is removed from the aggregate data the remainder reflects a nearly 1 per cent increase. The large advance in agriculture is due to the use of an "average crop" estimate in the seasonally adjusted data which, of course, is much higher than the actual, and very low, 1961 grain crop.

In the same comparison the seasonally adjusted and published monthly Index of Industrial Production was up by 1.4 per cent during the first quarter of 1962 to 182.0, a new high. On a quarterly basis this latest increase represented the fourth consecutive gain since the first quarter of 1961 for a total gain of almost 10 per cent.

All major industry components, with the exception of the construction and the finance, insurance, real estate groups, were up from fourth quarter, 1961 levels.

In the goods-producing industries, major groups showed the following gains: manufacturing over 1 per cent, mining about $1\frac{1}{2}$ per cent, utilities 3 per cent, and forestry about 5 per cent.

One-half of 1 per cent gain in the output of the service industries reflected 1 per cent gains in trade and transportation, storage, communication, along with fractional gains in government and other services.

Within manufacturing, which advanced more than 1 per cent, non-durables output was up nearly 2 per cent, while that of durables was up less than one-half of 1 per cent. The non-durables change during the quarter was consistent in size with the changes of the previous three quarters. The durables change, however, represented a considerable slowing down in the rate of increase recorded in the past year. Although durables advanced 11 per cent from the first quarter of 1961, the group was still slightly below the fourth quarter 1956 all-time high.

Chemicals and the foods and beverages group of industries each contributed (with 5 per cent gains) to the non-durable advance. Both paper and petroleum products were up by 1 per cent. There was also a 4 per cent gain in tobacco products. Textile products declined 1 per cent after the strength exhibited during the past year, particularly in cotton goods and synthetic textiles. Clothing and rubber products were off by 2 per cent and 3 per cent respectively. Leather products and printing and publishing were unchanged during the quarter.

Led by an increase in the telecommunication equipment component, the electrical apparatus and supplies group was up by almost 6 per cent. With increases in almost every other component excepting iron castings and primary iron and steel, the iron and steel products group advanced less than 1 per cent. Wood products also gained about 1 per cent. A decline of 5 per cent in motor vehicles output brought total transportation equipment lower by 2 per cent. Declines of 2 per cent and 1 per cent were recorded in non-ferrous metal products and non-metallic mineral products.

Electricity and gas utilities, on the strength of increases in both components, were up by 3 per cent.

Within mining, which was up by about $1\frac{1}{2}$ per cent, metal mining, in spite of large increases in both iron ore and 'other' metals (including uranium), gained less than 1 per cent. Smaller but widespread declines occurred in every other major metal. With crude petroleum output up marginally from its high level of the fourth quarter, natural gas mining was largely responsible for a 2 per cent fuels gain. Increased asbestos mining brought the non-metals group considerably higher.

The overall increase in real output was accompanied by gains of nearly 1 per cent in total employment and of nearly 2 per cent in non-agricultural employment in the first quarter. Hours of work in manufacturing industries were only fractionally higher, seasonally adjusted. The labour force increased by about $1/2$ per cent and there was a decline in seasonally adjusted unemployment from 6.3 per cent to 5.9 per cent of the labour force.

Personal Expenditure on Consumer Goods and Services

The rise of almost 3 per cent from the fourth quarter in personal expenditure to a level of \$25.3 billion was one of the largest in recent years, and with only fractional price changes in the price index for personal expenditure, reflected almost entirely a rise in the volume of purchases. This increase was associated with a rise of just over 2 per cent in personal disposable income and a drop in the rate of saving.

Strength was centred on goods purchasing, with non-durable goods increasing by $3\frac{1}{2}$ per cent while durables increased by more than 4 per cent. Increases were widespread among the non-durables, with the main commodities showing the following increases: fuel (including gas) 10 per cent; clothing 4 per cent; electricity 2 per cent; and food $1\frac{1}{2}$ per cent. Significant increases in expenditure on tobacco and alcoholic beverages were also recorded.

The rise in spending on durables stemmed from increases in purchases of furniture (up 4 per cent) and in the net purchases of automobiles. Sales to persons of new cars were up only slightly from the level achieved in the fourth quarter while trade-in allowances and dealer purchases of used cars returned to more normal levels from the unusually high level of the preceding quarter. As such sales of used cars and trade-in allowances are deducted from the value of purchases, the net purchases of cars thus showed an increase of about 6 per cent. The remaining durable goods showed declines; home furnishings and appliances and radios were down fractionally.

The $1\frac{1}{2}$ per cent rise in expenditures on services can be attributed chiefly to the change in net expenditure abroad, reflecting in the main, increased spending by Canadians abroad. Other services increased fractionally; paid and imputed shelter showed a slight decline, while increased expenditures on transportation services and personal services of $1\frac{1}{2}$ and 1 per cent respectively were registered.

Business Gross Fixed Capital Formation

Business spending on fixed capital formation increased moderately in the first quarter, and remained in line with the intentions of business for the year 1962 as a whole, as reported at the beginning of the year in "Private and Public Investment - Outlook Survey". The level of \$6.7 billion represented an increase of almost 1 per cent over the previous quarter, and reflected increased expenditure on residential construction, unchanged non-residential construction activity and a partly offsetting lower level of investment in machinery and equipment. The increased spending on construction was accompanied by a $1\frac{1}{2}$ per cent increase in employment in the industry. The improved profit position in business generally in the latter part of 1961 does not appear to have had any pronounced effect on the trend of overall business spending on plant and equipment in the first quarter.

In spite of the moderately upward trend since mid-1961 in overall capital spending the proportion of total current production being devoted to capital formation was slightly lower in the first quarter of the year than in the same period of the previous year.

Activity in residential building moved ahead again in the first quarter, after some slow-down in the final quarter of 1961. The estimate of \$1.5 billion of new residential construction put in place represented an increase of 5 per cent over the previous quarter. During the first quarter, the annual rate of dwelling unit starts, after allowance for seasonal influences, moved sharply up by 22 per cent to 144.5 thousand, a high level of activity in terms of the rate of starts over the past three years. The latest available information on the issuance of building permits for residential structures suggests some falling off in this level of activity.

The value of non-residential construction totalled \$2.8 billion in the first quarter, and was unchanged from the fourth quarter, 1961. This level, although higher now than on average over the past three years, continues to remain relatively stable with no clearly determinable trend. Viewed against this stability, the fluctuations in shipments and new orders in the industries producing mainly construction goods appear to be caused more by changes in the level of demand for housing than from non-residential construction demand.

Outlays on machinery and equipment dropped back by almost 1 per cent to a level of \$2.4 billion in the first quarter, after the fairly sharp recovery in spending in the latter half of 1961. Preliminary estimates suggest that the decline in demand was felt in the reduced flow of shipments from those domestic industries producing capital goods and that imports of machinery may have shown some slight increase. In spite of the decline in domestic shipments, new orders received by the capital goods producing industries, other than heavy transportation, rose by 2 per cent. Farm machinery sales from both foreign and domestic sources are estimated to have declined by about 5 per cent, while business spending on passenger and commercial vehicles increased slightly to add to the high level of consumer demand for automobiles.

Investment in Business Inventories

In contrast to the fourth quarter of 1961 when stocks were being built up rapidly, additions to inventories were not an important element of strength in the first quarter of 1962.

In manufacturing industries accumulation was much less substantial than in the preceding quarter. Some small build-up took place in a situation of rising production and the ratio of stocks to shipments was brought close to the average prevailing since 1952. The build-up appears to have taken place in goods in process and in finished products; stocks of raw materials appear to have been reduced.

There was fairly widespread accumulation in the non-durable segment of manufacturing, the most notable exception being petroleum products. The previous quarter's substantial accumulation of durables was reversed and stocks were liquidated in almost all durable groups.

Both wholesale and retail trade shifted from accumulation to liquidation between the fourth quarter of 1961 and the first quarter of 1962. A small liquidation in wholesale trade was the result of fairly general cutting back of stocks of durable goods and mixed movements in non-durables. The liquidation brought the ratio of wholesale stocks to sales to the lowest level since 1958. Stocks were reduced in both the durable and non-durable segments of retail trade, as consumers' spending rose sharply. Despite this depletion the ratio of stocks to sales remained above the average for the past decade.

Exports and Imports of Goods and Services

The deficit on foreign transactions rose to \$1.1 billion, seasonally adjusted at annual rates, from \$0.9 billion in the fourth quarter. Foreign demand for Canadian goods and services dropped by 1½ per cent to \$7.8 billion, while the value of imports of goods and payments for foreign services rose by 2 per cent to a record \$9.0 billion. There was a much smaller surplus on merchandise trade than in the fourth quarter and a larger deficit on invisibles.

Imports of merchandise at an annual rate of \$6.1 billion, showed almost no change from the previous quarter, although geographically, increased imports from the United States were offset by declines in goods received from the United Kingdom and all other countries. Imports in the final month of the quarter were particularly high. (The value of imports entering the National Accounts during the last two quarters is considerably lower than that shown in the Trade of Canada publication mainly because the value of military aircraft received from the United States under a mutual defence agreement has been removed for National Accounts purposes).

The most notable feature in the first quarter was the sharp increase in payments for services which rose to a level of \$2.9 billion at annual rates, after allowance for seasonal influences, or over 6 per cent. This is the highest figure on record and unlike the high level in the first quarter, 1961, which was primarily due to an irregularly large outflow of interest and dividends, the increase was distributed among most main components. Tourist expenditures rose almost 17 per cent, interest and dividends 8 per cent and freight and shipping by 4 per cent.

The value of merchandise exports fell by 2½ per cent from the previous quarter, to \$6.1 billion, as large declines in sales to the United Kingdom and all other countries were only partially offset by an increase to the United States. Details of movements in commodities are not yet available for the first quarter.

The seasonal adjustment of this series has been complicated by the fact that there appears to be emerging a changing seasonal pattern, since 1960, in which the relative increase in the level of merchandise exports in the first quarters has been more important than relative increases occurring in other quarters.

Receipts from abroad for Canadian services showed little change from the fourth quarter and at an annual rate of \$1.7 billion were only 1 per cent higher. This is the fourth successive quarter in which the rate of receipts for services has remained relatively stable. Some offsetting changes occurred in the first quarter; miscellaneous service receipts increased but both foreign tourist expenditures and receipts from freight and shipping were lower.

Corporation Profits

Following sharp increases in the last three quarters of 1961, corporation profits (before taxes and before dividends paid to non-residents) levelled off to an annual rate of \$3.8 billion in the first quarter of 1962 on a seasonally adjusted basis. Lower profits were experienced by almost all industry groups with the important exception of public utilities. Within manufacturing, there were offsetting movements; increases were recorded in foods and beverages, wood products, paper products, and petroleum and coal products, with declines recorded in iron and steel, textiles, and chemical products groups.

Interest, Dividends and Net Rental Income of Persons

Interest, dividends and net rental income of persons dropped by about 2 per cent below the level of the fourth quarter of 1961 mainly because of a decline in bond interest and dividends received by persons.

Net Income of Non-Farm Unincorporated Business

Net income of non-farm unincorporated business, seasonally adjusted at annual rates, increased over 2 per cent in the first quarter from the fourth quarter level. Net income in most industry groupings showed little or no change with the exception of the construction and retail trade industries which experienced increases of 8 and 7 per cent respectively, reflecting increased housing activity and much higher profit-sales ratios in retail trade.

Accrued Net Income of Farm Operators

Accrued net income of farm operators from farming operations increased 32 per cent in the first quarter of 1962 over the fourth quarter rate. Most of the increase is accounted for by the preliminary estimate of the 1962 crop which is based on acreage intentions and 10-year average yields and which is approximately \$360 million higher than the 1961 crop estimate. The higher crop estimate and an accumulation of stocks of cattle and calves on farms, together with slightly increased cash income, led to higher levels of both grain and livestock production.

Net income of farm operators from farming operations increased about 7½ per cent in the first quarter. The smaller increase in net income, compared to that of the accrued net income figure, reflects a very sharp decline in participation and equalization payments made by the Canadian Wheat Board.

Labour Income

Labour income, which began to increase rapidly in 1961, continued to show large gains through the first quarter of 1962. Seasonally adjusted, the labour income gain from the fourth quarter of 1961 to the first quarter of 1962 amounted to nearly 2 per cent, an increase slightly larger than those recorded from quarter to quarter in 1961.

In recent years, labour income originating in goods-producing industries has tended to rise less rapidly than labour income originating in service-producing industries. However, during some stages of cyclical upswings the goods-producing estimates have shown the larger increases owing to the special sensitivity of these industries to cyclical influences. The economy appears to have been going through such a stage of the cycle in the winter of 1961-1962, with quarter-to-quarter gains in the seasonally-adjusted wage and salary estimates for the goods-producing segment exceeding those for the service-producing segment both between the third and fourth quarters of 1961 and between the latter quarter and the first quarter of 1962. The quarter-to-quarter gains most recently recorded amounted to over 2 per cent for the goods-producing industries and about 1.5 per cent for the service-producing industries.

Within the goods-producing segment, manufacturing showed a smaller gain, somewhat over 1 per cent, than over the immediately preceding quarters. Movements in employment indexes suggest that the reduced rate of gain in wages and salaries was associated with a declining rate of increase in numbers of employees. On the other hand, the increases in construction, and the primary industries were the largest quarter-to-quarter gains in those industries recorded for some time.

In the service-producing industries, the finance, service and government group continued to show the largest percentage gains through the first quarter of 1962. The seasonally adjusted estimates for this group have consistently risen by about 2 per cent from quarter to quarter in recent years. Wages and salaries rose more than 1 per cent from the fourth quarter of 1961 to the first quarter of 1962 both in trade and in the transportation, communications and other utilities group.

The Government Sector

Total expenditures by all levels of government increased by about 2 per cent, with most of the increase accounted for by the Federal government. At the Federal level, transfer payments to persons rose by 10 per cent, reflecting the irregular payments to Western grain producers and larger payments from the Old Age Security Fund; subsidies advanced sharply, reflecting among other things large payments for past storage costs on grain and the higher estimated losses of the Agricultural Stabilization Board. Federal government expenditure on goods and services remained relatively unchanged while provincial and municipal expenditures on goods and services rose 3 per cent.

Although little change was shown at the total level, there were offsetting changes in the revenue components of the different levels of government as a result of the new tax arrangements. Thus Federal revenues from personal and corporate income taxes declined but provincial revenues increased substantially.

On a National Accounts basis, the seasonally adjusted total deficit of all levels of government combined rose by \$152 million at annual rates from the fourth to the first quarter. However, the total contains divergent and offsetting movements between the deficit of the Federal government and that of the provincial-municipal governments combined, largely accounted for by administrative procedures arising out of the lapse of tax rental agreements and the inception of the new tax collection arrangements. Commencing in the first quarter of 1962, the direct tax revenues of the Federal government have declined with corresponding amounts accruing to the provincial government. However, the transfer payments under the former taxation agreements from the Federal to the provincial governments do not lapse until the second quarter and as a consequence the deficit of the Federal government is irregularly high and of the provincial-municipal governments is irregularly low by almost \$300 million at annual rates in the first quarter of 1962.

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962
	I	II	III	IV	Year	I
1. Wages, Salaries, and Supplementary Labour Income	4,423	4,702	4,903	4,856	18,884	4,730
2. Military Pay and Allowances	129	140	137	144	550	147
3. Corporation Profits before Taxes and before Dividends Paid to Non-Residents(1)	609	910	969	950	3,438	767
4. Deduct: Dividends Paid to Non-Residents(2)	- 164	- 120	- 132	- 172	- 588	- 130
5. Rent, Interest, and Miscellaneous Investment Income ..	610	601	666	652	2,529	626
6. Accrued Net Income of Farm Operators from Farm Production(3)	33	133	680	91	937	36
7. Net Income of Non-Farm Unincorporated business(4)	438	559	598	654	2,249	491
8. Inventory Valuation Adjustment(5)	12	- 16	- 31	- 51	- 86	- 33
9. NET NATIONAL INCOME AT FACTOR COST	6,090	6,909	7,790	7,124	27,913	6,634
10. Indirect Taxes less Subsidies	1,110	1,155	1,137	1,241	4,643	1,194
11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	1,025	1,080	1,124	1,120	4,349	1,056
12. Residual Error of Estimate	- 81	- 134	67	87	- 61	- 165
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	8,144	9,010	10,118	9,572	36,844	8,719
14. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators)	(8,111)	(8,877)	(9,438)	(9,481)	(35,907)	(8,683)

- (1) In reports prior to 1961 this item was shown after deduction of dividends paid to non-residents, it is now however inclusive of such dividends. In order to derive series consistent with past published figures, lines 3 and 4 must be combined.
- (2) Includes the withholding tax applicable to this item.
- (3) Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.
- (4) Includes net income of independent professional practitioners.
- (5) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962
	I	II	III	IV	Year	I
1. Personal Expenditure on Consumer Goods and Services ..	5,569	6,066	5,992	6,626	24,253	5,932
2. Government Expenditure on Goods and Services(1, 2) ...	1,581	1,630	2,074	1,898	7,183	1,683
3. Business Gross Fixed Capital Formation(3)	1,284	1,662	1,837	1,710	6,493	1,363
4. New Residential Construction	247	364	441	406	1,458	291
5. New Non-Residential Construction	476	623	814	734	2,647	512
6. New Machinery and Equipment	561	675	582	570	2,388	560
7. Value of Physical Change in Inventories(4)	- 49	- 187	331	- 333	- 238	- 81
8. Non-Farm Business Inventories	208	- 57	- 47	105	209	211
9. Farm Inventories and Grain in Commercial Channels ..	- 257	- 130	378	- 438	- 447	- 292
10. Exports of Goods and Services	1,578	1,861	2,117	2,022	7,578	1,731
11. Deduct: Imports of Goods and Services	- 1,900	- 2,157	- 2,165	- 2,265	- 8,487	- 2,075
12. Residual Error of Estimate	81	135	- 68	- 86	62	166
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	8,144	9,010	10,118	9,572	36,844	8,719

- (1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.
- (2) For details of defence expenditures see Table 6.
- (3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.
- (4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Source of Personal Income, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962
	I	II	III	IV	Year	I
1. Wages, Salaries, and Supplementary Labour Income	4,423	4,702	4,903	4,856	18,884	4,730
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds	- 194	- 188	- 199	- 200	- 781	- 197
3. Military Pay and Allowances	129	140	137	144	550	147
4. Net Income Received by Farm Operators from Farm Production(1)	57	108	669	75	909	7
5. Net Income of Non-Farm Unincorporated Business	438	559	598	654	2,249	491
6. Interest, Dividends, and Net Rental Income of Persons(2)	672	706	686	786	2,850	687
Transfer Payments to Persons:						
7. From Government (Excluding Interest)	978	825	754	786	3,343	1,056
8. Charitable Contributions by Corporations	9	12	12	12	45	12
9. PERSONAL INCOME	6,512	6,864	7,560	7,113	28,049	6,933

(1) This item differs from line 6 of Table 1 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 4. Disposition of Personal Income, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962
	I	II	III	IV	Year	I
1. Personal Direct Taxes	573	670	628	633	2,504	622
2. Income Taxes	454	584	543	545	2,126	498
7. Succession Duties	37	33	38	38	146	40
4. Miscellaneous	82	53	47	50	232	84
5. Personal Expenditure on Consumer Goods and Services ..	5,569	6,066	5,992	6,626	24,253	5,932
6. Non-Durable Goods	2,713	2,926	3,002	3,498	12,139	2,884
7. Durable Goods	554	743	642	755	2,694	633
8. Services(1)	2,302	2,397	2,348	2,373	9,420	2,415
9. Personal Net Saving	370	128	940	- 146	1,292	379
10. Personal Saving Excluding Change in Farm Inventories ..	605	204	575	222	1,606	600
11. Value of Physical Change in Farm Inventories	- 235	- 76	365	- 368	- 314	- 221
12. PERSONAL INCOME	6,512	6,864	7,560	7,113	28,049	6,933
13. (Personal Disposable Income)(2)	(5,939)	(6,194)	(6,932)	(6,480)	(25,545)	(6,311)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 5. Government Revenue, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962
	I	II	III	IV	Year	I
1. Direct Taxes - Persons	573	670	628	633	2,504	622
2. Federal	461	582	543	546	2,132	468
3. Provincial and Municipal	112	88	85	87	372	154
4. Direct Taxes - Corporations	314	425	455	416	1,610	378
5. Federal	258	348	373	341	1,320	287
6. (Federal Tax Collections)	(302)	(367)	(319)	(301)	(1,289)	(322)
7. Provincial	56	77	82	75	290	91
8. (Provincial Tax Collections)	(77)	(70)	(75)	(63)	(285)	(80)
Withholding Taxes:						
9. Federal(1)	34	26	26	23	109	26
10. Indirect Taxes	1,153	1,207	1,233	1,300	4,893	1,260
11. Federal	496	553	554	587	2,190	528
12. Provincial and Municipal	657	654	679	713	2,703	732
13. Investment Income	232	252	284	344	1,112	242
14. Federal	67	84	112	143	406	68
15. Provincial and Municipal	165	168	172	201	706	174
16. Employer and Employee Contributions to Social Insurance and Government Pension Funds	194	188	199	200	781	197
17. Federal	128	119	129	131	507	128
18. Provincial and Municipal	66	69	70	69	274	69
Transfers from Federal:						
19. Provincial and Municipal	258	298	283	284	1,123	300
20. Total Revenue	2,758	3,066	3,108	3,200	12,132	3,025
21. Federal	1,444	1,712	1,737	1,771	6,664	1,505
22. Provincial and Municipal	1,314	1,354	1,371	1,429	5,468	1,520

(1) Beginning in 1962, the withholding tax series has been adjusted to conform more closely with the flow of interest and dividends to non-residents.

TABLE 6. Government Expenditure, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962
	I	II	III	IV	Year	I
1. Goods and Services	1,581	1,630	2,074	1,898	7,183	1,683
2. Federal	696	716	793	765	2,970	735
3. (Defence)	(438)	(367)	(391)	(421)	(1,617)	(469)
4. Provincial and Municipal	885	914	1,281	1,133	4,213	948
5. Transfer Payments to Persons (Excluding Interest on the Public Debt)	978	825	754	786	3,343	1,056
6. Federal	601	519	425	469	2,014	667
7. Provincial and Municipal	377	306	329	317	1,329	389
8. Interest on the Public Debt	229	289	235	373	1,126	230
9. Federal	160	187	169	267	783	157
10. Provincial and Municipal	69	102	66	106	343	73
11. Subsidies	43	52	96	59	250	66
12. Federal	40	49	83	48	220	62
13. Provincial	3	3	13	11	30	4
Transfers to Provincial and Municipal:						
14. Federal	258	298	283	284	1,123	300
15. Total Expenditure	3,089	3,094	3,442	3,400	13,025	3,335
16. Federal	1,755	1,769	1,753	1,833	7,110	1,921
17. Provincial and Municipal	1,334	1,325	1,689	1,567	5,915	1,414
18. Deficit (-) or Surplus (+)	- 331	- 28	- 334	- 200	- 893	- 310
19. Federal	- 311	- 57	- 16	- 62	- 446	- 416(1)
20. Provincial and Municipal	- 20	29	- 318	- 138	- 447	106(1)
21. Total Expenditure Minus Deficit or Plus Surplus	2,758	3,066	3,108	3,200	12,132	3,025
22. Federal	1,444	1,712	1,737	1,771	6,664	1,505
23. Provincial and Municipal	1,314	1,354	1,371	1,429	5,468	1,520

(1) In this quarter the federal deficit is irregularly high by about \$75 million and the provincial deficit correspondingly low as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements.

TABLE 7. Source of National Saving, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962
	I	II	III	IV	Year	I
1. Personal Net Saving	370	128	940	- 146	1,292	379
2. Business Gross Saving	1,024	1,364	1,410	1,358	5,156	1,233
3. Undistributed Corporation Profits	23	259	275	222	779	148
4. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	1,025	1,080	1,124	1,120	4,349	1,056
5. Adjustment on Grain Transactions(1)	- 24	25	11	16	28	29
6. Inventory Valuation Adjustment	12	- 16	- 31	- 51	- 86	- 33
7. Government Surplus (+) or Deficit (-)	- 331	- 28	- 334	- 200	- 893	- 310
8. Residual Error of Estimate	- 81	- 134	67	87	- 61	- 165
9. Totals	994	1,314	2,052	1,048	5,408	1,104

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 8. Disposition of National Saving, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962
	I	II	III	IV	Year	I
1. Business Gross Fixed Capital Formation	1,284	1,662	1,837	1,710	6,493	1,363
2. New Residential Construction	247	364	441	406	1,458	291
3. New Non-Residential Construction	476	623	814	734	2,647	512
4. New Machinery and Equipment	561	675	582	570	2,388	560
5. Value of Physical Change in Inventories	- 49	- 187	331	- 333	- 238	- 81
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents	- 322	- 296	- 48	- 243	- 909	- 344
7. Residual Error of Estimate	81	135	- 68	- 86	62	166
8. Totals	994	1,314	2,052	1,048	5,408	1,104

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1961 and 1962(1)
(millions of dollars)

	1961					1962
	I	II	III	IV	Year	I
1. Personal Expenditure on Consumer Goods and Services	5,254	5,728	5,637	6,240	22,859	5,565
2. Non-Durable Goods	2,618	2,825	2,874	3,352	11,669	2,764
3. Durable Goods	540	729	648	758	2,675	638
4. Services	2,096	2,174	2,115	2,130	8,515	2,163
5. Government Expenditure on Goods and Services	1,406	1,511	1,970	1,721	6,608	1,441
6. Business Gross Fixed Capital Formation	1,184	1,534	1,696	1,576	5,990	1,238
7. New Residential Construction	226	332	402	369	1,329	262
8. New Non-Residential Construction	439	577	760	684	2,460	469
9. New Machinery and Equipment	519	625	534	523	2,201	507
10. Change in Inventories	- 34	- 221	268	- 275	- 262	- 22
11. Non-Farm Business Inventories	204	- 51	- 49	105	209	212
12. Farm Inventories and Grain in Commercial Channels	- 238	- 170	317	- 380	- 471	- 234
13. Exports of Goods and Services	1,550	1,816	2,035	1,942	7,343	1,654
14. Deduct: Imports of Goods and Services	- 1,830	- 2,070	- 2,033	- 2,134	- 8,067	- 1,928
15. Residual Error of Estimate	75	127	- 64	- 80	58	153
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	7,605	8,425	9,509	8,990	34,529	8,101

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, derived by dividing the value figures in Table 2 by the constant dollar figures in Table 9, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962
	I	II	III	IV	Year	I
1. Wages, Salaries, and Supplementary Labour Income	18,412	18,736	19,060	19,328	18,884	19,692
2. Military Pay and Allowances	540	544	544	572	550	600
3. Corporation Profits before Taxes and before Dividends paid to Non-Residents(1)	2,956	3,364	3,588	3,844	3,438	3,768
4. Deduct: Dividends Paid to Non-Residents(2)	- 748	- 544	- 548	- 512	- 588	- 576
5. Rent, Interest, and Miscellaneous Investment Income ..	2,480	2,468	2,616	2,552	2,529	2,584
6. Accrued Net Income of Farm Operators from Farm Production(3)	864	932	1,016	936	937	1,236
7. Net Income of Non-Farm Unincorporated Business(4)	2,092	2,224	2,372	2,308	2,249	2,360
8. Inventory Valuation Adjustment	48	- 64	- 124	- 204	- 86	- 132
9. NET NATIONAL INCOME AT FACTOR COST	26,644	27,660	28,524	28,824	27,913	29,532
10. Indirect Taxes less Subsidies	4,556	4,584	4,540	4,892	4,643	4,892
11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	4,312	4,284	4,388	4,412	4,349	4,452
12. Residual Error of Estimate	48	- 40	- 56	- 196	- 61	- 260
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	35,560	36,488	37,396	37,932	36,844	38,616
14. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators)	(34,696)	(35,556)	(36,380)	(36,996)	(35,907)	(37,380)

(1) See footnote 1, Table 1.

(2) See footnote 2, Table 1.

(3) Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

(4) Includes net income of independent professional practitioners.

TABLE 11. Gross National Expenditure, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962
	I	II	III	IV	Year	I
1. Personal Expenditure on Consumer Goods and Services ..	23,784	24,124	24,504	24,600	24,253	25,312
2. Government Expenditure on Goods and Services(1, 2) ...	6,924	7,140	7,284	7,384	7,183	7,496
3. Business Gross Fixed Capital Formation(3)	6,392	6,260	6,620	6,700	6,493	6,752
4. New Residential Construction	1,344	1,436	1,576	1,476	1,458	1,548
5. New Non-Residential Construction	2,616	2,560	2,652	2,760	2,647	2,760
6. New Machinery and Equipment	2,432	2,264	2,392	2,464	2,388	2,444
7. Value of Physical Change in Inventories	- 332	- 212	- 316	- 92	- 238	- 60
8. Non-Farm Business Inventories	60	168	104	504	209	72
9. Farm Inventories and Grain in Commercial Channels(4) ..	- 392	- 380	- 420	- 596	- 447	- 132
10. Exports of Goods and Services	7,184	7,316	7,856	7,956	7,578	7,832
11. Deduct: Imports of Goods and Services	- 8,344	- 8,184	- 8,608	- 8,812	- 8,487	- 8,976
12. Residual Error of Estimate	- 48	44	56	196	62	260
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	35,560	36,488	37,396	37,932	36,844	38,616
Detail of Farm Inventories and GICC:						
Value of grain crop production	636	636	636	640	637	1,004
Depletions of farm stocks of grain	- 1,156	- 1,040	- 928	- 828	- 988	- 976
Change in livestock inventories	92	160	12	- 116	37	- 4
Grain in Commercial Channels	36	- 136	- 140	- 292	- 133	- 156

(1) See footnote 1, Table 2.

(2) For details of defence expenditures, see line 3, Table 15.

(3) See footnote 3, Table 2.

(4) In the seasonally adjusted series, the value of grain crop production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 3, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 12. Source of Personal Income, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962
	I	II	III	IV	Year	I
1. Wages, Salaries and Supplementary Labour Income	18,412	18,736	19,060	19,328	18,884	19,692
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds	- 752	- 780	- 800	- 792	- 781	- 768
3. Military Pay and Allowances	540	544	544	572	550	600
4. Net Income Received by Farm Operators from Farm Production(1)	872	808	1,008	948	909	1,020
5. Net Income of Non-Farm Unincorporated Business	2,092	2,224	2,372	2,308	2,249	2,360
6. Interest, Dividends, and Net Rental Income of Persons(2)	2,800	2,832	2,828	2,940	2,850	2,876
Transfer Payments to Persons:						
7. From Government (Excluding Interest)	3,268	3,304	3,360	3,440	3,343	3,576
8. Charitable Contributions by Corporations	44	44	44	48	45	48
9. PERSONAL INCOME	27,276	27,712	28,416	28,792	28,049	29,404

(1) This item differs from line 6, Table 10 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 13. Disposition of Personal Income, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962
	I	II	III	IV	Year	I
1. Personal Direct Taxes	2,396	2,460	2,584	2,576	2,504	2,616
2. Income Taxes	2,024	2,088	2,192	2,200	2,126	2,220
3. Succession Duties	148	132	152	152	146	160
4. Miscellaneous	224	240	240	224	232	236
5. Personal Expenditure on Consumer Goods and Services ..	23,784	24,124	24,504	24,600	24,253	25,312
6. Non-Durable Goods	11,976	12,164	12,280	12,136	12,139	12,572
7. Durable Goods	2,532	2,592	2,768	2,884	2,694	3,008
8. Services(1)	9,276	9,368	9,456	9,580	9,420	9,732
9. Personal Net Saving	1,096	1,128	1,328	1,616	1,292	1,476
10. PERSONAL INCOME	27,276	27,712	28,416	28,792	28,049	29,404
11. (Personal Disposable Income)(2)	(24,880)	(25,252)	(25,832)	(26,216)	(25,545)	(26,788)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 14. Government Revenue, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962
	I	II	III	IV	Year	I
1. Direct Taxes - Persons	2,396	2,460	2,584	2,576	2,504	2,616
2. Federal	2,048	2,084	2,192	2,204	2,132	2,068
3. Provincial and Municipal	348	376	392	372	372	548
4. Direct Taxes - Corporations	1,432	1,588	1,716	1,704	1,610	1,716
5. Federal	1,176	1,304	1,404	1,396	1,320	1,304
6. (Federal Tax Collections)	(1,332)	(1,276)	(1,252)	(1,296)	(1,289)	(1,384)
7. Provincial	256	284	312	308	290	412
8. (Provincial Tax Collections)	(280)	(276)	(288)	(296)	(285)	(296)
Withholding Taxes:						
9. Federal(1)	112	112	108	104	109	104
10. Indirect Taxes	4,764	4,792	4,904	5,112	4,893	5,188
11. Federal	2,164	2,156	2,196	2,244	2,190	2,288
12. Provincial and Municipal(2)	2,600	2,636	2,708	2,868	2,703	2,900
13. Investment Income	1,060	1,060	1,208	1,120	1,112	1,120
14. Federal	364	360	496	404	406	392
15. Provincial and Municipal	696	700	712	716	706	728
16. Employer and Employee Contributions to Social Insurance and Government Pension Funds	752	780	800	792	781	768
17. Federal	488	504	520	516	507	492
18. Provincial and Municipal	264	276	280	276	274	276
Transfers from Federal:						
19. Provincial and Municipal	1,004	1,176	1,156	1,156	1,123	1,180
20. Total Revenue	11,520	11,968	12,476	12,564	12,132	12,692
21. Federal	6,352	6,520	6,916	6,868	6,664	6,648
22. Provincial and Municipal	5,168	5,448	5,560	5,696	5,468	6,044

(1) See footnote 1, Table 5.

(2) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward, this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 15. Government Expenditure, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962
	I	II	III	IV	Year	I
1. Goods and Services	6,924	7,140	7,284	7,384	7,183	7,496
2. Federal	2,848	2,968	3,008	3,056	2,970	3,040
3. (Defence)	(1,560)	(1,636)	(1,592)	(1,680)	(1,617)	(1,684)
4. Provincial and Municipal	4,076	4,172	4,276	4,328	4,213	4,456
5. Transfer Payments to Persons (Excluding Interest on the Public Debt)	3,268	3,304	3,360	3,440	3,343	3,576
6. Federal	1,984	2,024	2,000	2,048	2,014	2,244
7. Provincial and Municipal	1,284	1,280	1,360	1,392	1,329	1,332
8. Interest on the Public Debt	1,084	1,136	1,112	1,172	1,126	1,104
9. Federal	748	800	764	820	783	748
10. Provincial and Municipal	336	336	348	352	343	356
11. Subsidies	208	208	364	220	250	296
12. Federal	180	180	332	188	220	264
13. Provincial	28	28	32	32	30	32
Transfers to Other Levels of Government:						
14. Federal	1,004	1,176	1,156	1,156	1,123	1,180
15. Total Expenditure	12,488	12,964	13,276	13,372	13,025	13,652
16. Federal	6,764	7,148	7,260	7,268	7,110	7,476
17. Provincial and Municipal	5,724	5,816	6,016	6,104	5,915	6,176
18. Deficit (-) or Surplus (+)	- 968	- 996	- 800	- 808	- 893	- 960
19. Federal	- 412	- 628	- 344	- 400	- 446	(1)
20. Provincial and Municipal	- 556	- 368	- 456	- 408	- 447	(1)
21. Total Expenditure Minus Deficit or Plus Surplus	11,520	11,968	12,476	12,564	12,132	12,692
22. Federal	6,352	6,520	6,916	6,868	6,664	6,648
23. Provincial and Municipal	5,168	5,448	5,560	5,696	5,468	6,044

(1) In this quarter the federal deficit is irregularly high by about \$300 million and the provincial deficit correspondingly low as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements. Reflecting this overlap, the federal deficit amounts to \$828 million and the provincial-municipal deficit to \$132 million seasonally adjusted and at annual rates.

TABLE 16. Source of National Saving, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962
	I	II	III	IV	Year	I
1. Personal Net Saving	1,096	1,128	1,328	1,616	1,292	1,476
2. Business Gross Saving	4,628	5,196	5,260	5,540	5,156	5,684
3. Undistributed Corporation Profits	324	788	864	1,140	779	1,016
4. Capital Consumption Allowances, etc.	4,312	4,284	4,388	4,412	4,349	4,452
5. Adjustment on Grain Transactions(1)	- 8	124	8	- 12	28	216
6. Inventory Valuation Adjustment	48	- 64	- 124	- 204	- 86	- 132
7. Government Surplus (+) or Deficit (-)	- 968	- 996	- 800	- 808	- 893	- 960
8. Residual Error of Estimate	48	- 40	- 56	- 196	- 61	- 260
9. Totals	4,852	5,224	5,608	5,948	5,408	5,808

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 17. Disposition of National Saving, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962
	I	II	III	IV	Year	I
1. Business Gross Fixed Capital Formation	6,392	6,260	6,620	6,700	6,493	6,752
2. New Residential Construction	1,344	1,436	1,576	1,476	1,458	1,548
3. New Non-Residential Construction	2,616	2,560	2,652	2,760	2,647	2,760
4. New Machinery and Equipment	2,432	2,264	2,392	2,464	2,388	2,444
5. Value of Physical Change in Inventories	- 332	- 212	- 316	- 92	- 238	- 60
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents	- 1,160	- 868	- 752	- 856	- 909	- 1,144
7. Residual Error of Estimate	- 48	44	56	196	62	260
8. Totals	4,852	5,224	5,608	5,948	5,408	5,808

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1961 and 1962(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962
	I	II	III	IV	Year	I
1. Personal Expenditure on Consumer Goods and Services	22,476	22,776	23,068	23,116	22,859	23,744
2. Non-Durable Goods	11,532	11,736	11,792	11,616	11,669	12,020
3. Durable Goods	2,504	2,544	2,744	2,908	2,675	3,024
4. Services	8,440	8,496	8,532	8,592	8,515	8,700
5. Government Expenditure on Goods and Services	6,392	6,608	6,720	6,712	6,608	6,740
6. Business Gross Fixed Capital Formation	5,904	5,780	6,108	6,168	5,990	6,144
7. New Residential Construction	1,220	1,312	1,440	1,344	1,329	1,388
8. New Non-Residential Construction	2,424	2,376	2,476	2,564	2,460	2,536
9. New Machinery and Equipment	2,260	2,092	2,192	2,260	2,201	2,220
10. Change in Inventories	- 364	- 248	- 340	- 96	- 262	8
11. Non-Farm Business Inventories	64	176	112	484	209	72
12. Farm Inventories and Grain in Commercial Channels	- 428	- 424	- 452	- 580	- 471	- 64
13. Exports of Goods and Services	7,036	7,148	7,564	7,624	7,343	7,464
14. Deduct: Imports of Goods and Services	- 8,068	- 7,884	- 8,080	- 8,236	- 8,067	- 8,360
15. Residual Error of Estimate	- 44	40	52	184	58	240
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	33,332	34,220	35,092	35,472	34,529	35,980

(1) See also footnote 1, Table 9.

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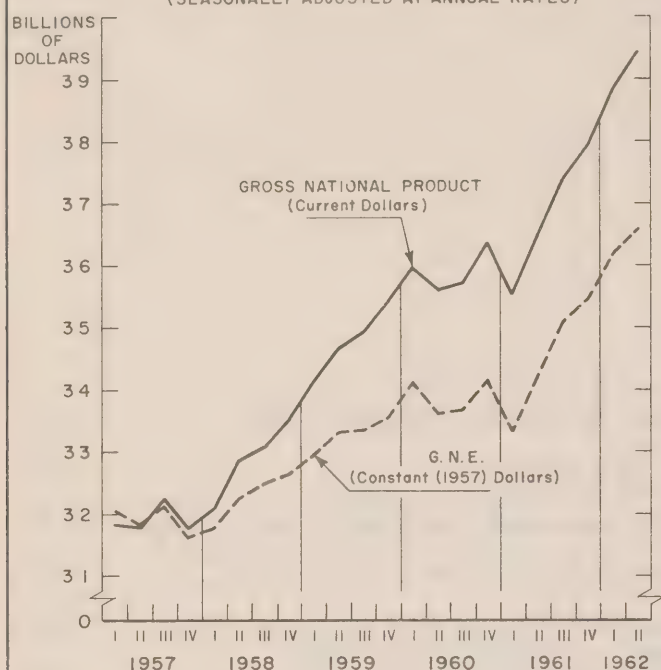
In order to obtain a complete historical record of the quarterly National Accounts, the following publication should be consulted:

"National Accounts, Income and Expenditure, by
Quarters, 1947-61"

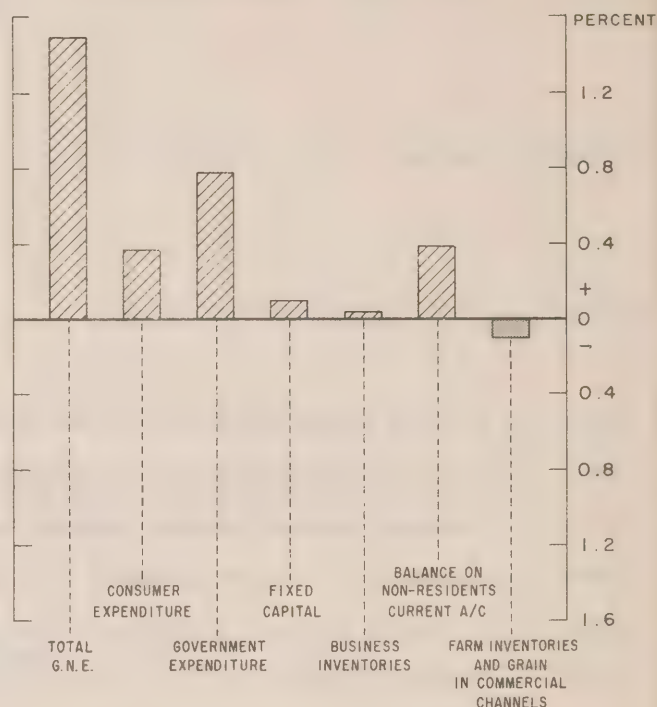
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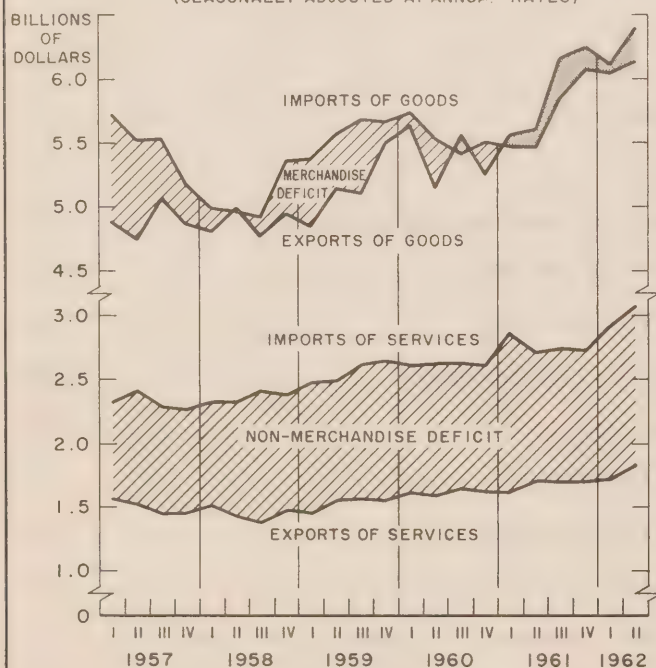
G.N.P. CONTINUED TO RISE IN THE SECOND QUARTER. OF THE $1\frac{1}{2}$ PER CENT INCREASE IN VALUE, $\frac{1}{2}$ PER CENT WAS ATTRIBUTABLE TO A PRICE RISE (SEASONALLY ADJUSTED AT ANNUAL RATES)



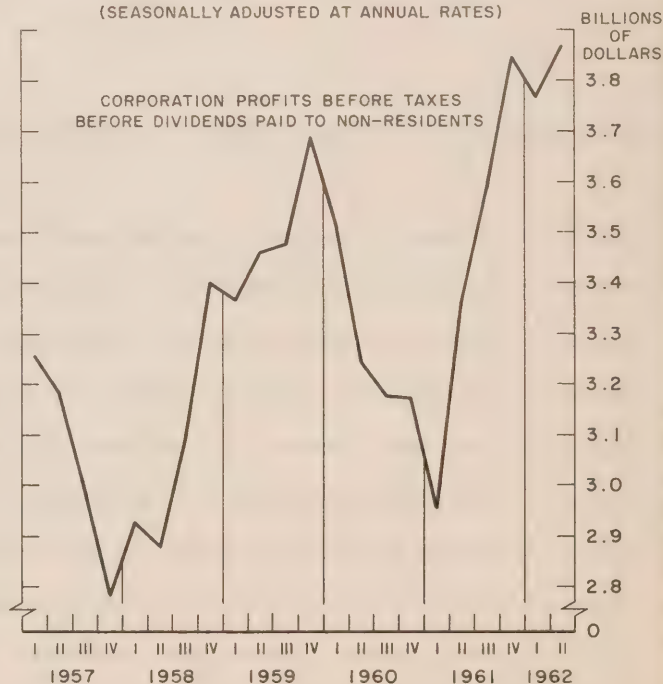
CONTRIBUTION TO THE PERCENTAGE CHANGE IN G.N.E. BY COMPONENTS 1st Q. 1962 TO 2nd Q. 1962 (BASED ON SEASONALLY ADJUSTED DATA)



THE TOTAL DEFICIT ON CURRENT ACCOUNT NARROWED IN THE SECOND QUARTER. THE IMPROVEMENT IN THE SURPLUS ON GOODS DAMPENED THE EXPANDED SERVICE DEFICIT (SEASONALLY ADJUSTED AT ANNUAL RATES)



CORPORATION PROFITS RECOVERED FROM THE FIRST QUARTER DIP AND ARE NOW OVER 30 PER CENT ABOVE THE FIRST QUARTER 1961 TROUGH (SEASONALLY ADJUSTED AT ANNUAL RATES)



INTRODUCTORY REVIEW

There was a further expansion in economic activity in the second quarter. Gross National Product was at a seasonally adjusted annual rate of \$39,424 million, $1\frac{1}{2}$ per cent higher than in the first quarter. Higher prices account for one-third of the increase, thus reducing the increase in real Gross National Product to about 1 per cent. The rate of increase in prices was of the same magnitude as that of the immediately preceding quarter.

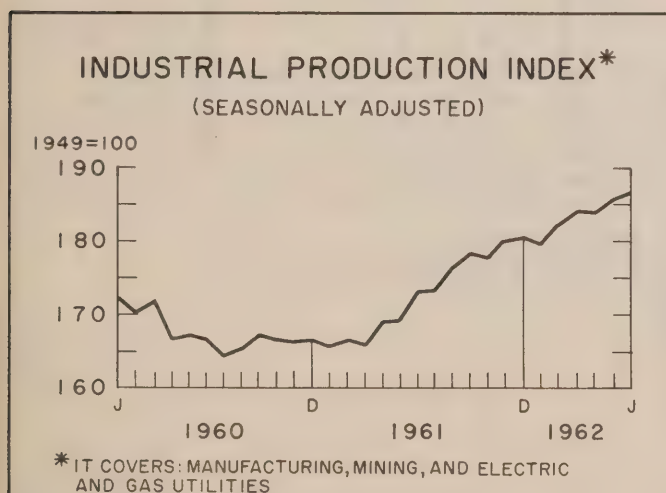
This expansion was based on final demand; since, as in the first quarter, investment in business inventories was virtually negligible; farm inventories continued to be drawn down. The major expansionary influences came from exports, and from government expenditure on goods and services which was higher at all levels of government. There was only a modest increase in consumer expenditure, with services absorbing most of the gain. Business gross fixed capital formation was up fractionally, construction activity showing no change and expenditure on machinery and equipment rising slightly. Imports were higher but to a much lesser extent than exports. The devaluation of the Canadian dollar has, of course, affected both import prices and export prices, making for a significant rise in prices in the external sector.

On the income side, the salient developments are the further expansion in labour income, but at a lower rate than in the preceding quarter, and a small advance in corporate profits (before dividends paid abroad), after a similar decline in the first quarter. Accrued net farm income increased substantially.

There was an unusually large divergence between national and personal income, mainly because of the exceptionally large payments made to farmers by the Canadian Wheat Board. This sharp increase in personal income, in conjunction with a very modest rise in consumer spending, made for a much higher rate of personal saving. There was a slight widening of the overall deficit on government transactions, as expenditures rose more than revenues.

Production

Seasonally adjusted, production for the second quarter of 1962 shows a volume increase of about 1 per cent over the previous quarter. Just under three-quarters of this increase was due to a $1\frac{1}{2}$ per cent gain in the goods-producing industries. The service-producing industries showed a volume increase of one-half of 1 per cent.



The only components of the goods-producing industries to show a percentage decline from the first to the second quarter were forestry, with a 5 per cent decline (most of which is accounted for by a drop in pulpwood production), and fishing and trapping. Other components and their increases include mining (1 per cent), manufacturing (2 per cent), and electric power and gas utilities (0.5 per cent).

Within mining, metal mining went up by about 3 per cent, with gains in iron ore and zinc accounting for most of the strength. Partially offsetting the above gains were declines in nickel and other metals (including uranium). Fuel mining and non-metal mining both declined by about 1 per cent.

Non-durable manufacturing, which increased by 1 per cent, contributed about 30 per cent to the total increase in manufacturing, while durables, with a 3 per cent gain, accounted for the remaining 70 per cent. The durables group resumed its advance after a slight decline in the first quarter.

Within non-durables, the industries showing the largest gains include clothing and textiles (each of which was up 3 per cent), foods and beverages, rubber products, printing and publishing, and chemicals.

Quarter to Quarter Changes in Final Purchases
(Seasonally Adjusted at Annual Rates)
(millions of dollars)

	3Q'58	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59	1Q'60	2Q'60	3Q'60	4Q'60	1Q'61	2Q'61	3Q'61	4Q'61	1Q'62
	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to
	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59	1Q'60	2Q'60	3Q'60	4Q'60	1Q'61	2Q'61	3Q'61	4Q'61	1Q'62	2Q'62
1. Personal Expenditure	344	476	80	324	244	- 4	476	44	528	- 120	340	380	96	712	144
2. Government Expenditure	-	72	240	- 232	84	36	52	260	88	32	216	144	100	276	304
3. Residential Construction	76	- 52	- 100	- 32	20	- 84	- 252	24	- 16	- 36	92	140	- 100	72	- 12
4. Non-Res. Construction	- 96	- 200	124	- 24	32	- 8	- 100	56	-	36	- 56	92	108	- 12	12
5. Machinery and Equipment	88	- 84	256	148	- 124	144	- 108	- 64	100	- 256	- 168	128	72	80	40
6. Exports	248	- 128	400	- 20	372	192	- 496	456	- 312	292	132	540	100	- 120	404
7. Total Final Purchases	660	84	1,000	164	628	276	- 428	776	388	- 52	556	1,424	376	1,008	892
8. (Final Domestic Demand)	(412)	(212)	(600)	(184)	(256)	(84)	(68)	(320)	(700)	(- 344)	(424)	(884)	(276)	(1,128)	(488)

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in Non-Farm Business Inventories	76	488	- 336	308	- 192	352	- 312	- 512	288	- 96	108	- 64	400	- 480	16
10. Imports	400	112	208	244	4	40	- 204	- 108	76	232	- 160	424	204	152	252
11. G.N.P. (ex Farm)	388	652	536	292	568	368	- 256	96	552	- 436	860	824	616	664	492

Constant (1957) Dollars
Quarter to Quarter Percentage Changes in Selected Items

12. Final Domestic Demand	0.5	-	1.2	0.1	0.2	0.1	- 0.4	0.6	1.5	- 1.1	1.1	2.1	0.3	2.4	0.7
13. Total Final Purchases	0.9	- 0.4	2.0	- 0.1	1.0	0.6	- 1.7	1.7	0.5	- 0.2	1.2	2.7	0.4	1.6	1.2
14. Gross National Expenditure	0.4	0.9	1.1	0.1	0.6	1.8	- 1.5	0.2	1.4	- 2.4	2.7	2.5	1.1	2.0	1.1

Within durables, iron and steel products continued to advance, increasing by 5 per cent, with iron castings and primary iron and steel accounting for the bulk of this increase. In aggregate, iron and steel products contributed just under half of the total increase in durables. Transportation equipment was up by 7 per cent, with most of the gain in the motor vehicle industries. The transportation equipment industry accounted for roughly one-third of the rise in durables manufacturing. The remainder of the increase was due to a 7 per cent gain in non-metallic mineral products (mostly as a result of an increase in concrete products), and a gain in the electrical apparatus and supplies industry. The only major groups within durable manufacturing which showed a decline in the second quarter were non-ferrous metal products, down by 2 per cent, and wood products, which showed a fractional decline.

The relatively small increase of 0.5 per cent in the output of service-producing industries was the result of fairly large but mainly offsetting movements. Trade was up by $1\frac{1}{2}$ per cent, finance, insurance and real estate by $1\frac{1}{2}$ per cent and public administration and defence, as well as other services, increased by 0.5 per cent.

The transportation, communication and storage industry group declined by 2 per cent. Within transportation, strikes and union jurisdictional disputes were the cause of the most significant declines, and especially affected the shipping and trucking industries. This labour unrest also had repercussions in the railway industry. A 7 per cent decline in the output of the air transport industry was also a major contributing factor to the decline of this industry group. There was a considerable decline in the storage industries (21 per cent), due largely to the depletion through sales in recent months of grain stored in grain elevators. The communication industries showed a small upward movement in the quarter.

Within trade, the most significant increase was shown by wholesale trade (3 per cent), with wholesalers proper contributing approximately two-thirds to this increase. Retail trade increased by 1 per cent. Within retail trade the more significant volume gains include the following: department stores, family clothing stores, women's clothing stores, jewellery stores and lumber and building material dealers. Among the more significant declines were garage and filling stations, fuel dealers, and independent grocery and combination stores.

Accompanying this increase in production, was a commensurate rise in employment. The labour force increased by 1.1 per cent, the proportion of the labour force which was unemployed falling from 6.0 to 5.8 per cent between the first and second quarters, after seasonal factors are taken into account.

Price Movements

Between the first and second quarters of 1962, the price component of Gross National Expenditure was estimated to have increased by about $\frac{1}{2}$ of 1 per cent. The price increases in the current quarter have been evident in all the expenditure categories. For example, prices associated with personal expenditure, and gross fixed capital formation, as well as with exports and imports showed increases during the second quarter. The following table shows quarter-to-quarter changes in the seasonally adjusted price indexes from the third quarter of 1961 through to the second quarter of 1962.

Quarter-to-Quarter Percentage Changes
Implicit Price Indexes of Gross National Expenditure and Its Components
(Based on Seasonally Adjusted Data)

	2Q'61 - 3Q'61	3Q'61 - 4Q'61	4Q'61 - 1Q'62	1Q'62-2Q'62
Personal Expenditure	0.3	0.2	0.2	0.6
Food	-	0.3	0.7	0.6
Other Goods	0.3	-0.3	-0.2	0.3
Total Goods	0.2	-0.1	0.1	0.4
Services 1/	0.4	0.5	0.5	0.5
Government Expenditure 2/	0.3	1.6	0.8	0.3
Gross Fixed Capital Formation	0.1	0.2	1.1	0.9
New Residential Construction	-0.1	0.4	1.5	0.4
New Non-Residential Construction	-0.6	0.5	1.0	0.6
New Machinery and Equipment	0.8	-0.1	0.9	1.5
Exports	1.5	0.5	1.0	0.9
Imports	2.6	0.5	0.7	1.7
Gross National Expenditure	-	0.3	0.4	0.4

1/ In this table percentage changes are based on the implicit price index for personal expenditure on services, before adjustment for the components of net expenditure abroad.

2/ Little significance should be attached to small changes in quarter-to-quarter price change for this component.

Personal Expenditure on Consumer Goods and Services

Personal expenditure, at a seasonally adjusted annual rate of \$25.5 billion, increased one-half of 1 per cent from the first quarter. This increase is almost entirely accounted for by the rise in prices in the consumer sector.

The one-half of 1 per cent rise in prices of consumer goods and services was the largest in recent quarters. On a seasonally adjusted basis, prices of goods and services showed the same degree of increase. The major part of the rise in prices was in foods (mainly meats), new cars and purchased transportation; prices of electricity declined; other prices were stable or showed only the average increase.

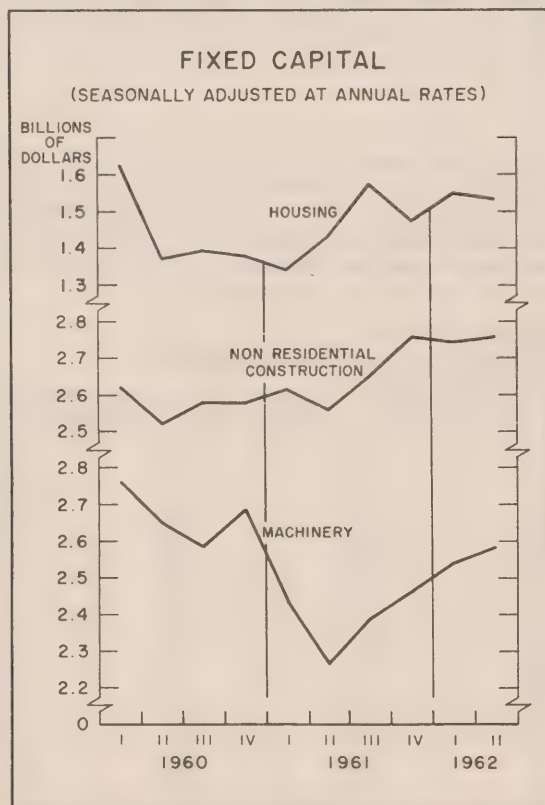
Expenditures on services showed the only significant rise; the $1\frac{1}{2}$ per cent rise reflecting increases in shelter (3 per cent), transportation services ($2\frac{1}{2}$ per cent), and personal services ($1\frac{1}{2}$ per cent). Net expenditure abroad decreased sharply, reflecting increased spending by foreign tourists in Canada.

Spending on consumer goods was unchanged, with a 1 per cent increase in durables offsetting a fractional decline in non-durables. Within durable goods net purchases of new and used cars increased about 1 per cent. Home furnishings and appliances and radios increased by 2 per cent, while purchases of furniture showed a 1 per cent decline.

The slight decline in non-durables reflects largely offsetting movements within its components. Decreases were registered by fuel (-6 per cent); electricity (-1 per cent, reflecting rate adjustments in British Columbia); clothing (-1 per cent); and food ($-\frac{1}{2}$ per cent); while increases were shown by tobacco and alcoholic beverages ($1\frac{1}{2}$ per cent); and household supplies (1 per cent).

The small rise in personal spending did not match the 4 per cent rise in personal disposable income, resulting in an unusually sharp increase in personal saving. The large increase in personal income mainly reflected payments made to western farmers by the Canadian Wheat Board.

Business Gross Fixed Capital Formation



No marked change in overall fixed capital formation occurred -- at an annual rate of \$6,880 million after allowance for seasonal variation, the level showed a fractional increase from the previous quarter. Within the total, construction activity showed no change in the second quarter, while outlays on machinery and equipment rose. This rate of investment left the proportion of current production devoted to fixed capital at one of the lowest levels in the past decade. The rate of investment in the first half of the year coincided closely with the rate anticipated for the full year as recorded in the mid-year survey of investment intentions for 1962.

Outlays on housing declined by almost 1 per cent from the previous quarter -- to an annual rate of \$1,536 million. This decline in value was in line with the reduction in the number of dwelling units upon which construction was started in the second quarter. Although down from the first quarter, the seasonally adjusted annual rate of 133 thousand starts achieved in the second quarter was still high in relation to the average over the past two and a half years. Housing starts in municipalities of population of over 5,000 in July indicate little change from the second quarter level for these centres. Completions in the quarter were running at a seasonally adjusted rate of 115,000 units.

Non-residential building and engineering outlays were at an annual rate of \$2,760 million, discounting seasonal factors, or one-half of 1 per cent above the first quarter level. Although employment in the industry fell in the second quarter, higher hourly earnings raised the level of labour income in the industry.

Spending on machinery and equipment continued to increase for the fourth successive quarter, bringing the seasonally adjusted annual rate to \$2,584 million, 1½ per cent above the first quarter and 14 per cent above the previous low one year earlier. Much of the strength in machinery and equipment sprang from substantially increased purchases of commercial trucks and vehicles.

Business spending on plant and equipment combined, at an annual rate of \$5,344 million, was a return to approximately the level existing prior to the 1960 downturn in business activity; the current level of investment has in fact been exceeded on only two occasions since the beginning of 1958.

As in the previous quarter, there was a rise in prices of investment goods of approximately 1 per cent. Although prices in residential construction and non-residential construction rose, the upward pressure was more apparent in the machinery and equipment component, reflecting the increased cost of imported machinery and equipment following the devaluation of the Canadian dollar.

Investment in Non-Farm Business Inventories

As in the first quarter, virtually no support to the level of economic activity came from investment in inventories. There was only a small accumulation, which took place in retail trade and in "other" industries. Manufacturing and wholesale trade drew down their stocks. The changes in non-farm business inventories from the first to the second quarter are shown in the following table:

Changes in Non-Farm Business Inventories, by Quarters
(Seasonally Adjusted at Annual Rates)
(millions of dollars)

<u>Industry</u>	<u>1Q 1962</u>	<u>2Q 1962</u>
Manufacturing	88	-104
Durables	-60	-16
Non-Durables	148	-88
Wholesale	-48	-160
Retail	-76	196
Other	60	108
Total	24	40

Inventory liquidation in manufacturing industries, far from being widespread, was most pronounced among non-durable industries, especially food and chemicals; among durables, the transportation equipment and non-metallic mineral products industries showed the greatest depletion of stocks. Classified by level of processing, stocks showed conflicting tendencies; stocks of raw materials and goods in process were accumulated, while inventories of finished goods were run down, as shipments rose by over 2 per cent. These movements reduced the ratio of total stocks to shipments below the level of the preceding quarter, but not below the average for the past six years. Available data showing total book value of stocks held by manufacturers suggest that part of the strength in inventory accumulation normally associated with periods of economic recovery was lacking in recent quarters, since only marginal reductions in stock took place in the preceding downturn in activity.

Wholesalers continued to draw down their inventories, at a greater rate than that of the previous quarter. The ratio of stocks to sales was lower than in the previous quarter, and below the average since 1958. Here, as in manufacturing industries, non-durable industries reduced their stocks at a faster rate than durable industries. Depletion was quite widespread in non-durables, though at varying rates. With the notable exception of stocks of hardware which were accumulated, the rest of the durable goods wholesalers reduced their stocks, the reduction being most pronounced in industrial machinery and commercial equipment.

Inventories were increased in retail trade, reversing the trend of the previous quarter. As a consequence, the stock to sales ratio was the highest of the last decade. Accumulation was slightly higher in durables than non-durables. Increase in stocks of motor vehicle dealers, and of farm implement dealers among durables, and of food dealers among non-durables, was responsible for most of the total stock accumulation in retail trade.

Exports and Imports of Goods and Services

One of the main sources of strength in the current quarter was the level of foreign demand for Canadian goods and services, exports rising by 5 per cent to a seasonally adjusted annual rate of \$8,240 million. The rise in total imports was less and at an annual level of \$9,216 million was a little under 3 per cent higher than the previous quarter. These movements in foreign trade combined to reduce the deficit on current account from \$1,128 million to \$976 million, seasonally adjusted at annual rates.

The positive balance on merchandise trade was larger than in the first quarter. Exports of merchandise at an annual rate of \$6,400 million were up 5 per cent in total and sales to the United States, United Kingdom and all other countries combined registered increases, as wheat, aluminum, copper, petroleum, iron ore, lumber and wood pulp all showed increases in level. Increased Canadian demand for imported goods raised the total by 1½ per cent, to \$6,136 million, seasonally adjusted at annual rates but commodity composition of this demand is not yet available.

Exports and Imports of Merchandise and Services (Seasonally Adjusted at Annual Rates)

	<u>3Q 1961</u>	<u>4Q 1961</u>	<u>1Q 1962</u>	<u>2Q 1962</u>
	(Millions of Dollars)			
<u>Exports</u>				
Merchandise	6,156	6,256	6,112	6,400
Services	<u>1,700</u>	<u>1,700</u>	<u>1,724</u>	<u>1,840</u>
Total	7,856	7,956	7,836	8,240
<u>Imports</u>				
Merchandise	5,856	6,072	6,048	6,136
Services	<u>2,752</u>	<u>2,740</u>	<u>2,916</u>	<u>3,080</u>
Total	8,608	8,812	8,964	9,216

The deficit on the services account, after seasonal factors are discounted, increased to \$1,240 million at annual rates, from \$1,192 million in the first quarter. The main factors in this increase were the sharp 13 per cent increase in the outflow of interest and dividend payments, which boosted this figure to the second highest recorded and the rise in payments for miscellaneous services which rose by almost 6 per cent. The level of total payments stood at \$3,080 million in the second quarter. Some offset to these increases occurred in the higher level of receipts, particularly in respect of travel expenditures of foreigners in Canada, which rose by 15 per cent. Increases in receipts of interest and dividends and in receipts for the supply of freight and shipping services, combined to raise the total annual rate of receipts, seasonally adjusted, to \$1,840 million.

Between the first and second quarters of 1962 the price component of both exports and imports of goods and services showed a significant increase, largely the result of a decline in the exchange value of the Canadian dollar, which automatically raises the price of imports and of those exports priced in foreign currency. Comparing the unadjusted data for the second quarter of 1961 with the second quarter of 1962, it is estimated that about one-third of the 12 per cent increase in the value of merchandise exports and about one-half of the 13 per cent increase in the value of merchandise imports have resulted from price changes.

Labour Income

The seasonally adjusted labour income estimate for the second quarter of 1962 was 1.6 per cent higher than the corresponding figure for the first quarter of the year. This rise was slightly smaller than that occurring between the fourth quarter of 1961 and the first quarter of 1962, which amounted to 1.9 per cent. Both these quarterly increases were larger than the average for the past decade, as were preceding quarterly gains back to the beginning of 1961. It appears that increases in the volume and in the price of labour inputs both contributed to the first-to-second quarter rise in labour income.

Excluding supplementary income, for which quarterly data are not available on an industrial basis, the wages and salaries for the second quarter were also 1.6 per cent higher than the corresponding first quarter figure. The gain for the goods-producing industries amounted to 2.0 per cent, and the

rise for the service-producing industries was 1.2 per cent. In both segments, the increases were slightly smaller than those occurring in the previous quarter. The seasonally adjusted total for goods-producing industries continued to rise more rapidly than the corresponding figure for service-producing industries, as has been usual at similar stages of business cycle upswings.

Seasonally Adjusted Estimates of Wages and Salaries, 1960-1962
Quarter-to-Quarter Percentage Changes

	3Q'60 to 4Q'60	4Q'60 to 1Q'61	1Q'61 to 2Q'61	2Q'61 to 3Q'61	3Q'61 to 4Q'61	4Q'61 to 1Q'62	1Q'62 to 2Q'62	Percentage of Wages & Salaries 1961
All Industries	0.5	0.8	1.8	1.7	1.4	1.9	1.6	100.0
<u>Goods-Producing Industries</u>	-0.7	-0.1	1.5	1.7	1.9	2.4	2.0	42.2
Manufacturing	-0.1	0.5	1.9	2.4	1.9	1.3	2.5	29.6
Construction	-2.2	-1.2	0.6	0.6	0.9	5.9	2.4	6.3
Primary Industries	-2.2	-1.5	0.5	-0.6	2.6	3.7	-1.0	5.8
<u>Service-Producing Industries</u>	1.5	1.4	2.0	1.7	1.1	1.6	1.2	57.8
Finance, Service and Public Adminis- tration	2.4	2.0	2.4	2.2	1.8	1.8	1.4	30.3
Trade	0.8	0.7	1.1	1.4	0.6	1.5	2.1	15.2
Transportation, Communication and Other Utilities	-	0.8	2.2	1.1	-	1.2	-0.1	12.3

The quarter-to-quarter gain in manufacturing was 2.5 per cent, the second largest recorded since 1956. Nevertheless, the 2.0 per cent rise for the goods-producing industries fell short of the 2.4 per cent gain occurring between the fourth quarter of 1961 and the first quarter of 1962 owing to developments in construction and the primary industries. Marked wage and salary increases had occurred in both these areas in the previous quarter. The second quarter estimates indicated a reduced rate of gain in construction, and a decline in total wages and salaries originating in primary industries.

The first to second quarter increase in the service-producing industries was 1.2 per cent. In the previous quarter, the gain had been 1.6 per cent, a figure equal to the average for the last ten years. A reduced rate of gain for the large finance, service and public administration grouping was partly responsible for the change. The 1.4 per cent rise for this grouping was small in comparison with those recorded from quarter to quarter in 1960 and 1961, and one of the smallest for recent years. However, the first-to-second quarter gain in trade was 2.1 per cent, one of the largest quarterly increases for this industry since 1957. Wages and salaries in transportation, communication and other utilities (which have tended to move erratically from quarter to quarter) did not increase from the first to second quarter of 1962, partly because of industrial disputes in trucking.

Accrued Net Income of Farm Operators

Accrued net income of farm operators from farm production rose by 8 per cent, seasonally adjusted, from the first to the second quarter of 1962, reflecting primarily the accumulation of inventories of livestock and grains and the higher trading profits of the Canadian Wheat Board. Cash receipts of farm operators from the sale of grains declined, reflecting the low crop production of last year, but in the current quarter this was partially offset by increased tobacco sales with the result that total cash income declined fractionally.

Seasonally adjusted, net income received by farm operators in the second quarter rose to its highest level since the third quarter of 1953. The net income estimate differs from the accrued net income series in that the former reflects the cash payments to the farmer from the Canadian Wheat Board, whereas the latter series includes the full amount accruing from the Board's operations. Thus, the increase in net income can be attributed to the exceptionally large payments made by the Canadian Wheat Board. The closing out of the 1960-1961 wheat pool account resulted in the largest average final payment in the history of the Board's operations. Adjustment payments to take account of the increase in the initial prices of wheat effective on all deliveries in the 1961-1962 crop year were also made during the quarter.

Net Income of Unincorporated Business

Net income of non-farm unincorporated business, seasonally adjusted, declined fractionally in the second quarter from the first quarter rate. Net income in retail trade dropped slightly, but was offset by a small rise in the service industries.

Corporation Profits

Corporation profits (before taxes and before dividends paid to non-residents) rose by about 3 per cent in the second quarter of 1962 to a seasonally adjusted annual rate of \$3.9 billion. Profits were at record levels, over 30 per cent above the cyclical trough in the first quarter of 1961. The chief industries contributing to the increase were mining, quarrying and oil wells, manufacturing, and the finance, insurance and real estate groups. Higher profits were an experience common to all other industrial groups except wholesale and retail trades and public utility operations.

Within manufacturing, however, there were offsetting movements with increases in printing and publishing, metals and machinery and transportation equipment, electrical apparatus and supplies and non-metallic mineral products and declines in foods and beverages, paper products, and petroleum and coal products.

Dividends paid to non-residents increased substantially, so that corporation profits before taxes and after dividends paid to non-residents remained virtually unchanged from the first to the second quarter of 1962.

Rent, Interest, and Miscellaneous Investment Income

Rent, interest and miscellaneous investment income rose by close to 4 per cent after adjustment for seasonal factors, attributable to a rise in the trading profits of government enterprises, net rents received by individuals and in receipts from withholding taxes on interest and dividends paid abroad.

Following a decline from the fourth quarter 1961 to the first quarter 1962, the interest, dividends and net rental income component of personal income increased by 4 per cent mainly because of a rise in bond interest, net rental income and dividends received by persons.

The Government Sector

Expenditure on goods and services of all levels of government increased by 4 per cent, with the greater part of the increase occurring at the provincial-municipal level attributable primarily to increased outlays on construction of vocational schools and for higher payments for labour. As mentioned earlier, the increase in government expenditure on goods and services was one of the major forces in the expansion of demand from the first to the second quarter.

Seasonally adjusted, total expenditures by all levels of governments combined increased by about $1\frac{1}{2}$ per cent from the first to the second quarter of 1962, resulting from a 6 per cent increase in total expenditures of the provincial-municipal governments being offset in part by a decline of 2 per cent at the federal level. Combined revenues of all governments, however, rose by only 1 per cent, so that the combined deficit advanced from \$976 million to \$1,048 million, seasonally adjusted at annual rates.

This increase in the total combined deficit conceals offsetting movements at the Federal and the provincial-municipal levels, which are related to an irregularly high Federal deficit and an irregularly low provincial-municipal deficit in the first quarter. These irregularities reflect the transition from the previous tax-sharing arrangements to the new procedure for apportioning taxes between the Federal and provincial governments. Thus the second quarter Federal deficit declined \$300 million and this amount was reflected in the increase of \$380 million which took place at the provincial level. With the effect of the first quarter irregularity removed, the Federal deficit in the second quarter remained almost unchanged, but there was an increase of \$80 million at the provincial-municipal level, seasonally adjusted, between the first and second quarters.

The drop in federal expenditures can be largely attributed to declines in transfer payments to persons and in transfers to the provincial governments. The decline in federal transfer payments to persons reflected lower payments of unemployment insurance benefits, and the absence of the irregular payments which were made in the first quarter under the Prairie Farm Assistance Act and to western grain producers. These declines more than offset the rise in expenditure on goods and services and larger payments from the Old Age Security Fund, the latter reflecting the monthly increase of \$10 in old age security payments effective February 1, 1962. All components of total federal revenue showed

gains with the exception of direct personal taxes, which declined slightly.

At the provincial-municipal level, transfer payments to persons increased owing to larger payments to hospitals and educational institutions as well as for social assistance. Total revenues showed little change.

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962	
	I	II	III	IV	Year	I	II
1. Wages, Salaries, and Supplementary Labour Income	4,423	4,702	4,903	4,856	18,884	4,732	5,021
2. Military Pay and Allowances	129	140	137	144	550	147	152
3. Corporation Profits before Taxes and before Dividends Paid to Non-Residents	609	910	969	950	3,438	767	1,051
4. Deduct: Dividends Paid to Non-Residents(1)	- 164	- 120	- 132	- 172	- 588	- 129	- 148
5. Rent, Interest, and Miscellaneous Investment Income ..	610	601	666	652	2,529	633	662
6. Accrued Net Income of Farm Operators from Farm Production(2)	33	133	680	91	937	15	125
7. Net Income of Non-Farm Unincorporated business(3)	438	559	598	654	2,249	491	604
8. Inventory Valuation Adjustment(4)	12	- 16	- 31	- 51	- 86	- 28	- 55
9. NET NATIONAL INCOME AT FACTOR COST	6,090	6,909	7,790	7,124	27,913	6,628	7,412
10. Indirect Taxes less Subsidies	1,110	1,155	1,137	1,241	4,643	1,226	1,292
11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	1,025	1,080	1,124	1,120	4,349	1,062	1,151
12. Residual Error of Estimate	- 81	- 134	67	87	- 61	- 125	- 221
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	8,144	9,010	10,118	9,572	36,844	8,791	9,634
14. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators)	(8,111)	(8,877)	(9,438)	(9,481)	(35,907)	(8,776)	(9,509)

(1) Includes the withholding tax applicable to this item.

(2) Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

(3) Includes net income of independent professional practitioners.

(4) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962	
	I	II	III	IV	Year	I	II
1. Personal Expenditure on Consumer Goods and Services ..	5,569	6,066	5,992	6,626	24,253	5,950	6,397
2. Government Expenditure on Goods and Services(1, 2) ...	1,581	1,630	2,074	1,898	7,183	1,740	1,799
3. Business Gross Fixed Capital Formation(3)	1,284	1,662	1,837	1,710	6,493	1,390	1,812
4. New Residential Construction	247	364	441	406	1,458	291	388
5. New Non-Residential Construction	476	623	814	734	2,647	512	664
6. New Machinery and Equipment	561	675	582	570	2,388	587	760
7. Value of Physical Change in Inventories(4)	- 49	- 187	331	- 333	- 238	- 81	- 230
8. Non-Farm Business Inventories	208	- 57	- 47	105	209	209	- 85
9. Farm Inventories and Grain in Commercial Channels ..	- 257	- 130	378	- 438	- 447	- 290	- 145
10. Exports of Goods and Services	1,578	1,861	2,117	2,022	7,578	1,724	2,071
11. Deduct: Imports of Goods and Services	- 1,900	- 2,157	- 2,165	- 2,265	- 8,487	- 2,058	- 2,436
12. Residual Error of Estimate	81	135	- 68	- 86	62	126	221
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	8,144	9,010	10,118	9,572	36,844	8,791	9,634

(1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

(2) For details of defence expenditures see line 3 Table 6.

(3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

(4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Source of Personal Income, by Quarters, 1961 and 1962
(millions of dollars)

	1961				Year	1962	
	I	II	III	IV		I	II
1. Wages, Salaries, and Supplementary Labour Income	4,423	4,702	4,903	4,856	18,884	4,732	5,021
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds	- 194	- 188	- 199	- 200	- 781	- 197	- 194
3. Military Pay and Allowances	129	140	137	144	550	147	152
4. Net Income Received by Farm Operators from Farm Production(1)	57	108	669	75	909	- 14	223
5. Net Income of Non-Farm Unincorporated Business	438	559	598	654	2,249	491	604
6. Interest, Dividends, and Net Rental Income of Persons(2)	672	706	686	786	2,850	690	752
Transfer Payments to Persons:							
7. From Government (Excluding Interest)	978	825	754	786	3,343	1,054	892
8. Charitable Contributions by Corporations	9	12	12	12	45	12	12
9. PERSONAL INCOME	6,512	6,864	7,560	7,113	28,049	6,915	7,462

(1) This item differs from line 6 of Table 1 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 4. Disposition of Personal Income, by Quarters, 1961 and 1962
(millions of dollars)

	1961				Year	1962	
	I	II	III	IV		I	II
1. Personal Direct Taxes	573	670	628	633	2,504	623	716
2. Income Taxes	454	584	543	545	2,126	500	627
3. Succession Duties	37	33	38	38	146	40	38
4. Miscellaneous	82	53	47	50	232	83	51
5. Personal Expenditure on Consumer Goods and Services ..	5,569	6,066	5,992	6,626	24,253	5,950	6,397
6. Non-Durable Goods	2,713	2,926	3,002	3,498	12,139	2,895	3,055
7. Durable Goods	554	743	642	755	2,694	638	823
8. Services(1)	2,302	2,397	2,348	2,373	9,420	2,417	2,519
9. Personal Net Saving	370	128	940	- 146	1,292	342	349
10. Personal Saving Excluding Change in Farm Inventories	605	204	575	222	1,606	561	399
11. Value of Physical Change in Farm Inventories	- 235	- 76	365	- 368	- 314	- 219	- 50
12. PERSONAL INCOME	6,512	6,864	7,560	7,113	28,049	6,915	7,462
13. (Personal Disposable Income) (2)	(5,939)	(6,194)	(6,932)	(6,480)	(25,545)	(6,292)	(6,746)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 5. Government Revenue, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962	
	I	II	III	IV	Year	I	II
1. Direct Taxes - Persons	573	670	628	633	2,504	623	716
2. Federal	461	582	543	546	2,132	468	564
3. Provincial and Municipal	112	88	85	87	372	155	152
4. Direct Taxes - Corporations	314	425	455	416	1,610	378	473
5. Federal	258	348	373	341	1,320	287	359
6. (Federal Tax Collections)	(302)	(367)	(319)	(301)	(1,289)	(322)	(373)
7. Provincial	56	77	82	75	290	91	114
8. (Provincial Tax Collections)	(77)	(70)	(75)	(63)	(285)	(91)	(79)
Withholding Taxes:							
9. Federal(1)	34	26	26	23	109	26	35
10. Indirect Taxes	1,153	1,207	1,233	1,300	4,893	1,289	1,361
11. Federal	496	553	554	587	2,190	528	596
12. Provincial and Municipal	657	654	679	713	2,703	761	765
13. Investment Income	232	252	284	344	1,112	251	287
14. Federal	67	84	112	143	406	73	109
15. Provincial and Municipal	165	168	172	201	706	178	178
16. Employer and Employee Contributions to Social Insurance and Government Pension Funds	194	188	199	200	781	197	194
17. Federal	128	119	129	131	507	128	122
18. Provincial and Municipal	66	69	70	69	274	69	72
Transfers from Federal:							
19. Provincial and Municipal	258	298	283	284	1,123	299	255
20. Total Revenue	2,758	3,066	3,108	3,200	12,132	3,063	3,321
21. Federal	1,444	1,712	1,737	1,771	6,664	1,510	1,785
22. Provincial and Municipal	1,314	1,354	1,371	1,429	5,468	1,553	1,536

(1) Beginning in 1962, the withholding tax series has been adjusted to conform more closely with the flow of interest and dividends to non-residents.

TABLE 6. Government Expenditure, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962	
	I	II	III	IV	Year	I	II
1. Goods and Services	1,581	1,630	2,074	1,898	7,183	1,740	1,799
2. Federal	696	716	793	765	2,970	749	771
3. (Defence)	(438)	(367)	(391)	(421)	(1,617)	(471)	(401)
4. Provincial and Municipal	885	914	1,281	1,133	4,213	991	1,028
5. Transfer Payments to Persons (Excluding Interest on the Public Debt)	978	825	754	786	3,343	1,054	892
6. Federal	601	519	425	469	2,014	666	527
7. Provincial and Municipal	377	306	329	317	1,329	388	365
8. Interest on the Public Debt	229	289	235	373	1,126	234	308
9. Federal	160	187	169	267	783	157	199
10. Provincial and Municipal	69	102	66	106	343	77	109
11. Subsidies	43	52	96	59	250	63	69
12. Federal	40	49	83	48	220	58	65
13. Provincial	3	3	13	11	30	5	4
Transfers to Provincial and Municipal:							
14. Federal	258	298	283	284	1,123	299	255
15. Total Expenditure	3,089	3,094	3,442	3,400	13,025	3,390	3,323
16. Federal	1,755	1,769	1,753	1,833	7,110	1,929	1,817
17. Provincial and Municipal	1,334	1,325	1,689	1,567	5,915	1,461	1,506
18. Deficit (-) or Surplus (+)	- 331	- 28	- 334	- 200	- 893	- 327	- 2
19. Federal	- 311	- 57	- 16	- 62	- 446	- 419(1)	- 32
20. Provincial and Municipal	- 20	29	- 318	- 138	- 447	92(1)	30
21. Total Expenditure Minus Deficit or Plus Surplus	2,758	3,066	3,108	3,200	12,132	3,063	3,321
22. Federal	1,444	1,712	1,737	1,771	6,664	1,510	1,785
23. Provincial and Municipal	1,314	1,354	1,371	1,429	5,468	1,553	1,536

(1) In this quarter the federal deficit is irregularly high by about \$75 million and the provincial - municipal surplus also correspondingly high as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements.

TABLE 7. Source of National Saving, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962	
	I	II	III	IV	Year	I	II
1. Personal Net Saving	370	128	940	- 146	1,292	342	349
2. Business Gross Saving	1,024	1,364	1,410	1,358	5,156	1,239	1,367
3. Undistributed Corporation Profits	23	259	275	222	779	148	314
4. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	1,025	1,080	1,124	1,120	4,349	1,062	1,151
5. Adjustment on Grain Transactions(1)	- 24	25	11	16	28	29	- 98
6. Inventory Valuation Adjustment	12	- 16	- 31	- 51	- 86	- 28	- 55
7. Government Surplus (+) or Deficit (-)	- 331	- 28	- 334	- 200	- 893	- 327	- 2
8. Residual Error of Estimate	- 81	- 134	67	87	- 61	- 125	- 221
9. Totals	994	1,314	2,052	1,048	5,408	1,101	1,438

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 8. Disposition of National Saving, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962	
	I	II	III	IV	Year	I	II
1. Business Gross Fixed Capital Formation	1,284	1,662	1,837	1,710	6,493	1,390	1,812
2. New Residential Construction	247	364	441	406	1,458	291	388
3. New Non-Residential Construction	476	623	814	734	2,647	512	664
4. New Machinery and Equipment	561	675	582	570	2,388	587	760
5. Value of Physical Change in Inventories	- 49	- 187	331	- 333	- 238	- 81	- 230
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents	- 322	- 296	- 48	- 243	- 909	- 334	- 365
7. Residual Error of Estimate	81	135	- 68	- 86	62	126	221
8. Totals	994	1,314	2,052	1,048	5,408	1,101	1,438

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1961 and 1962(1)
(millions of dollars)

	1961					1962	
	I	II	III	IV	Year	I	II
1. Personal Expenditure on Consumer Goods and Services	5,254	5,728	5,637	6,240	22,859	5,576	5,962
2. Non-Durable Goods	2,618	2,825	2,874	3,352	11,669	2,788	2,926
3. Durable Goods	540	729	648	758	2,675	626	805
4. Services	2,096	2,174	2,115	2,130	8,515	2,162	2,231
5. Government Expenditure on Goods and Services ...	1,406	1,511	1,970	1,721	6,608	1,494	1,631
6. Business Gross Fixed Capital Formation	1,184	1,534	1,696	1,576	5,990	1,263	1,635
7. New Residential Construction	226	332	402	369	1,329	262	346
8. New Non-Residential Construction	439	577	760	684	2,460	469	606
9. New Machinery and Equipment	519	625	534	523	2,201	532	683
10. Change in Inventories	- 34	- 221	268	- 275	- 262	- 24	- 228
11. Non-Farm Business Inventories	204	- 51	- 49	105	209	208	- 85
12. Farm Inventories and Grain in Commercial Channels	- 238	- 170	317	- 380	- 471	- 232	- 143
13. Exports of Goods and Services	1,550	1,816	2,035	1,942	7,343	1,640	1,945
14. Deduct: Imports of Goods and Services	- 1,830	- 2,070	- 2,033	- 2,134	- 8,067	1,897	- 2,215
15. Residual Error of Estimate	75	127	- 64	- 80	58	116	205
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	7,605	8,425	9,509	8,990	34,529	8,168	8,935

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, derived by dividing the value figures in Table 2 by the constant dollar figures in Table 9, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962	
	I	II	III	IV	Year	I	II
1. Wages, Salaries, and Supplementary Labour Income	18,412	18,736	19,060	19,328	18,884	19,700	20,008
2. Military Pay and Allowances	540	544	544	572	550	600	592
3. Corporation Profits before Taxes and before Dividends paid to Non-Residents	2,956	3,364	3,588	3,844	3,438	3,768	3,868
4. Deduct: Dividends Paid to Non-Residents(1)	- 748	- 544	- 548	- 512	- 588	- 576	- 672
5. Rent, Interest, and Miscellaneous Investment Income ..	2,480	2,468	2,616	2,552	2,529	2,616	2,712
6. Accrued Net Income of Farm Operators from Farm Production(2)	864	932	1,016	936	937	1,180	1,272
7. Net Income of Non-Farm Unincorporated Business(3)	2,092	2,224	2,372	2,308	2,249	2,388	2,372
8. Inventory Valuation Adjustment	48	- 64	- 124	- 204	- 86	- 112	- 220
9. NET NATIONAL INCOME AT FACTOR COST	26,644	27,660	28,524	28,824	27,913	29,564	29,932
10. Indirect Taxes less Subsidies	4,556	4,584	4,540	4,892	4,643	5,024	5,132
11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	4,312	4,284	4,388	4,412	4,349	4,480	4,556
12. Residual Error of Estimate	48	- 40	- 56	- 196	- 61	- 228	- 196
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	35,560	36,488	37,396	37,932	36,844	38,840	39,424
14. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators)	(34,696)	(35,556)	(36,380)	(36,996)	(35,907)	(37,660)	(38,152)

(1) See footnote 1, Table 1.

(2) Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

(3) Includes net income of independent professional practitioners.

TABLE 11. Gross National Expenditure, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962	
	I	II	III	IV	Year	I	II
1. Personal Expenditure on Consumer Goods and Services ..	23,784	24,124	24,504	24,600	24,253	25,312	25,456
2. Government Expenditure on Goods and Services(1, 2) ...	6,924	7,140	7,284	7,384	7,183	7,660	7,964
3. Business Gross Fixed Capital Formation(3)	6,392	6,260	6,620	6,700	6,493	6,840	6,880
4. New Residential Construction	1,344	1,436	1,576	1,476	1,458	1,548	1,536
5. New Non-Residential Construction	2,616	2,560	2,652	2,760	2,647	2,748	2,760
6. New Machinery and Equipment	2,432	2,264	2,392	2,464	2,388	2,544	2,584
7. Value of Physical Change in Inventories	- 332	- 212	- 316	- 92	- 238	- 72	- 96
8. Non-Farm Business Inventories	60	168	104	504	209	24	40
9. Farm Inventories and Grain in Commercial Channels(4)	- 392	- 380	- 420	- 596	- 447	- 96	- 136
10. Exports of Goods and Services	7,184	7,316	7,856	7,956	7,578	7,836	8,240
11. Deduct: Imports of Goods and Services	- 8,344	- 8,184	- 8,608	- 8,812	- 8,487	- 8,964	- 9,216
12. Residual Error of Estimate	- 48	44	56	196	62	228	196
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	35,560	36,488	37,396	37,932	36,844	38,840	39,424
Detail of Farm Inventories and GICC:							
Value of grain crop production	636	636	636	640	637	1,040	1,040
Depletions of farm stocks of grain	- 1,156	- 1,040	- 928	- 828	- 988	- 976	- 888
Change in livestock inventories	92	160	12	- 116	37	- 4	16
Grain in Commercial Channels	36	- 136	- 140	- 292	- 133	- 156	- 304

(1) See footnote 1, Table 2.

(2) For details of defence expenditures, see line 3, Table 15.

(3) See footnote 3, Table 2.

(4) In the seasonally adjusted series, the value of grain crop production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 2, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 12. Source of Personal Income, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962	
	I	II	III	IV	Year	I	II
1. Wages, Salaries and Supplementary Labour Income	18,412	18,736	19,060	19,328	18,884	19,700	20,008
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds	- 752	- 780	- 800	- 792	- 781	- 768	- 804
3. Military Pay and Allowances	540	544	544	572	550	600	592
4. Net Income Received by Farm Operators from Farm Production(1)	872	808	1,008	948	909	964	1,596
5. Net Income of Non-Farm Unincorporated Business	2,092	2,224	2,372	2,308	2,249	2,388	2,372
6. Interest, Dividends, and Net Rental Income of Persons(2)	2,800	2,832	2,828	2,940	2,850	2,892	3,008
Transfer Payments to Persons:							
7. From Government (Excluding Interest)	3,268	3,304	3,360	3,440	3,343	3,584	3,596
8. Charitable Contributions by Corporations	44	44	44	48	45	48	48
9. PERSONAL INCOME	27,276	27,712	28,416	28,792	28,049	29,408	30,416

- (1) This item differs from line 6, Table 10 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.
(2) Includes all government debt interest paid to persons.

TABLE 13. Disposition of Personal Income, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962	
	I	II	III	IV	Year	I	II
1. Personal Direct Taxes	2,396	2,460	2,584	2,576	2,504	2,620	2,664
2. Income Taxes	2,024	2,088	2,192	2,200	2,126	2,232	2,276
3. Succession Duties	148	132	152	152	146	160	152
4. Miscellaneous	224	240	240	224	232	228	236
5. Personal Expenditure on Consumer Goods and Services	23,784	24,124	24,504	24,600	24,253	25,312	25,456
6. Non-Durable Goods	11,976	12,164	12,280	12,136	12,139	12,560	12,524
7. Durable Goods	2,532	2,592	2,768	2,884	2,694	3,028	3,052
8. Services(1)	9,276	9,368	9,456	9,580	9,420	9,724	9,880
9. Personal Net Saving	1,096	1,128	1,328	1,616	1,292	1,476	2,296
10. PERSONAL INCOME	27,276	27,712	28,416	28,792	28,049	29,408	30,416
11. (Personal Disposable Income)(2)	(24,880)	(25,252)	(25,832)	(26,216)	(25,545)	(26,788)	(27,752)

- (1) Includes net expenditure abroad.
(2) Personal Income less Total Personal Direct Taxes.

TABLE 14. Government Revenue, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962	
	I	II	III	IV	Year	I	II
1. Direct Taxes - Persons	2,396	2,460	2,584	2,576	2,504	2,620	2,664
2. Federal	2,048	2,084	2,192	2,204	2,132	2,080	2,048
3. Provincial and Municipal	348	376	392	372	372	540	616
4. Direct Taxes - Corporations	1,432	1,588	1,716	1,704	1,610	1,716	1,768
5. Federal	1,176	1,304	1,404	1,396	1,320	1,304	1,344
6. (Federal Tax Collections)	(1,332)	(1,276)	(1,252)	(1,296)	(1,289)	(1,384)	(1,308)
7. Provincial	256	284	312	308	290	412	424
8. (Provincial Tax Collections)	(280)	(276)	(288)	(296)	(285)	(328)	(316)
Withholding Taxes:							
9. Federal(1)	112	112	108	104	109	104	144
10. Indirect Taxes	4,764	4,792	4,904	5,112	4,893	5,308	5,400
11. Federal	2,164	2,156	2,196	2,244	2,190	2,292	2,312
12. Provincial and Municipal(2)	2,600	2,636	2,708	2,868	2,703	3,016	3,088
13. Investment Income	1,060	1,060	1,208	1,120	1,112	1,140	1,188
14. Federal	364	360	496	404	406	396	448
15. Provincial and Municipal	696	700	712	716	706	744	740
16. Employer and Employee Contributions to Social Insurance and Government Pension Funds	752	780	800	792	781	768	804
17. Federal	488	504	520	516	507	492	516
18. Provincial and Municipal	264	276	280	276	274	276	288
Transfers from Federal:							
19. Provincial and Municipal	1,004	1,176	1,156	1,156	1,123	1,176	1,012
20. Total Revenue	11,520	11,968	12,476	12,564	12,132	12,832	12,980
21. Federal	6,352	6,520	6,916	6,868	6,664	6,668	6,812
22. Provincial and Municipal	5,168	5,448	5,560	5,696	5,468	6,164	6,168

(1) See footnote 1, Table 5.

(2) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 15. Government Expenditure, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962	
	I	II	III	IV	Year	I	II
1. Goods and Services	6,924	7,140	7,284	7,384	7,183	7,660	7,964
2. Federal	2,848	2,968	3,008	3,056	2,970	3,060	3,152
3. (Defence)	(1,560)	(1,636)	(1,592)	(1,680)	(1,617)	(1,680)	(1,724)
4. Provincial and Municipal	4,076	4,172	4,276	4,328	4,213	4,600	4,812
5. Transfer Payments to Persons (Excluding Interest on the Public Debt)	3,268	3,304	3,360	3,440	3,343	3,584	3,596
6. Federal	1,984	2,024	2,000	2,048	2,014	2,240	2,088
7. Provincial and Municipal	1,284	1,280	1,360	1,392	1,329	1,344	1,508
8. Interest on the Public Debt	1,084	1,136	1,112	1,172	1,126	1,104	1,188
9. Federal	748	800	764	820	783	748	824
10. Provincial and Municipal	336	336	348	352	343	356	364
11. Subsidies	208	208	364	220	250	284	268
12. Federal	180	180	332	188	220	252	236
13. Provincial	28	28	32	32	30	32	32
Transfers to Other Levels of Government:							
14. Federal	1,004	1,176	1,156	1,156	1,123	1,176	1,012
15. Total Expenditure	12,488	12,964	13,276	13,372	13,025	13,808	14,028
16. Federal	6,764	7,148	7,260	7,268	7,110	7,476	7,312
17. Provincial and Municipal	5,724	5,816	6,016	6,104	5,915	6,332	6,716
18. Deficit (-) or Surplus (+)	- 968	- 996	- 800	- 808	- 893	- 976	- 1,048
19. Federal	- 412	- 628	- 344	- 400	- 446	(1)	- 500
20. Provincial and Municipal	- 556	- 368	- 456	- 408	- 447	(1)	- 548
21. Total Expenditure Minus Deficit or Plus Surplus	11,520	11,968	12,476	12,564	12,132	12,832	12,980
22. Federal	6,352	6,520	6,916	6,868	6,664	6,668	6,812
23. Provincial and Municipal	5,168	5,448	5,560	5,696	5,468	6,164	6,168

(1) In this quarter the federal deficit is irregularly high by about \$300 million and the provincial-municipal deficit correspondingly low as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements. Reflecting this overlap, the federal deficit amounts to \$808 million and the provincial-municipal deficit to \$168 million seasonally adjusted and at annual rates.

TABLE 16. Source of National Saving, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962	
	I	II	III	IV	Year	I	II
1. Personal Net Saving	1,096	1,128	1,328	1,616	1,292	1,476	2,296
2. Business Gross Saving	4,628	5,196	5,260	5,540	5,156	5,708	5,172
3. Undistributed Corporation Profits	324	788	864	1,140	779	1,012	940
4. Capital Consumption Allowances, etc.	4,312	4,284	4,388	4,412	4,349	4,480	4,556
5. Adjustment on Grain Transactions(1)	- 8	124	8	- 12	28	216	- 324
6. Inventory Valuation Adjustment	48	- 64	- 124	- 204	- 86	- 112	- 220
7. Government Surplus (+) or Deficit (-)	- 968	- 996	- 800	- 808	- 893	- 976	- 1,048
8. Residual Error of Estimate	48	- 40	- 56	- 196	- 61	- 228	- 196
9. Totals	4,852	5,224	5,608	5,948	5,408	5,868	6,004

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 17. Disposition of National Saving, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962	
	I	II	III	IV	Year	I	II
1. Business Gross Fixed Capital Formation	6,392	6,260	6,620	6,700	6,493	6,840	6,880
2. New Residential Construction	1,344	1,436	1,576	1,476	1,458	1,548	1,536
3. New Non-Residential Construction	2,616	2,560	2,652	2,760	2,647	2,748	2,760
4. New Machinery and Equipment	2,432	2,264	2,392	2,464	2,388	2,544	2,584
5. Value of Physical Change in Inventories	- 332	- 212	- 316	- 92	- 238	- 72	- 96
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents	- 1,160	- 868	- 752	- 856	- 909	- 1,128	- 976
7. Residual Error of Estimate	- 48	44	56	196	62	228	196
8. Totals	4,852	5,224	5,608	5,948	5,408	5,868	6,004

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1961 and 1962(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962	
	I	II	III	IV	Year	I	II
1. Personal Expenditure on Consumer Goods and Services	22,476	22,776	23,068	23,116	22,859	23,744	23,748
2. Non-Durable Goods	11,532	11,736	11,792	11,616	11,669	12,076	11,992
3. Durable Goods	2,504	2,544	2,744	2,908	2,675	2,984	2,996
4. Services	8,440	8,496	8,532	8,592	8,515	8,684	8,760
5. Government Expenditure on Goods and Services	6,392	6,608	6,720	6,712	6,608	6,900	7,156
6. Business Gross Fixed Capital Formation	5,904	5,780	6,108	6,168	5,990	6,228	6,212
7. New Residential Construction	1,220	1,312	1,440	1,344	1,329	1,388	1,372
8. New Non-Residential Construction	2,424	2,376	2,476	2,564	2,460	2,528	2,524
9. New Machinery and Equipment	2,260	2,092	2,192	2,260	2,201	2,312	2,316
10. Change in Inventories	- 364	- 248	- 340	- 96	- 262	- 12	- 32
11. Non-Farm Business Inventories	64	176	112	484	209	28	44
12. Farm Inventories and Grain in Commercial Channels	- 428	- 424	- 452	- 580	- 471	- 40	- 76
13. Exports of Goods and Services	7,036	7,148	7,564	7,624	7,343	7,436	7,744
14. Deduct: Imports of Goods and Services	- 8,068	- 7,884	- 8,080	- 8,236	- 8,067	- 8,316	- 8,408
15. Residual Error of Estimate	- 44	40	52	184	58	212	180
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	33,332	34,220	35,092	35,472	34,529	36,192	36,600

(1) See footnote 1, Table 9.



Canada. Statistics, Bureau of

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INCOME AND EXPENDITURE
THIRD QUARTER
1962

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"National Accounts, Income and Expenditure, by
Quarters, 1947-61"

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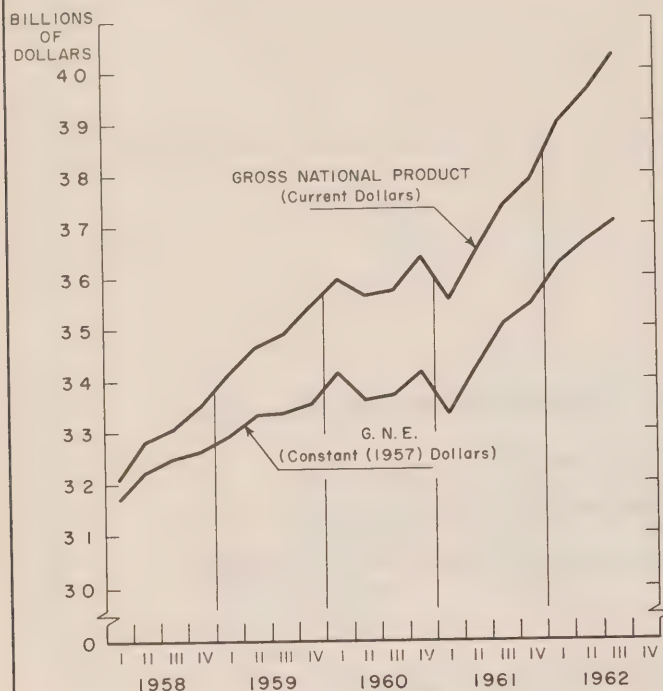
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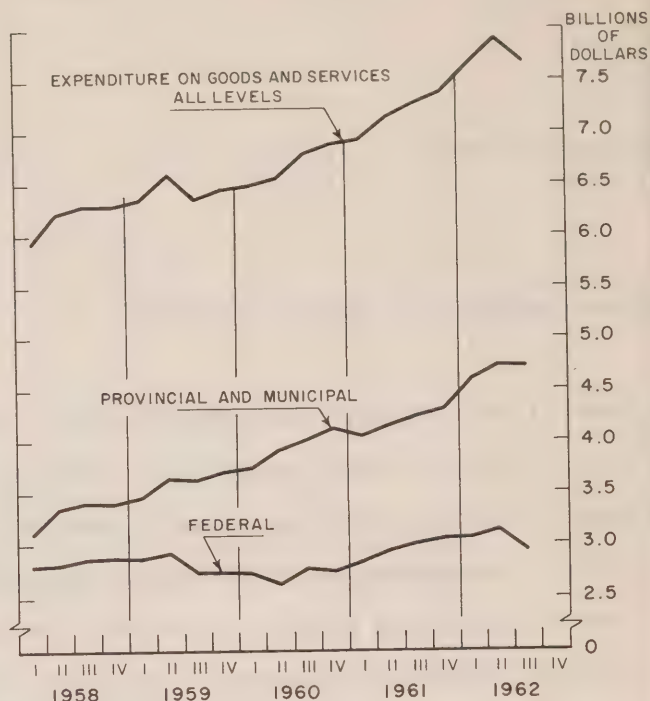
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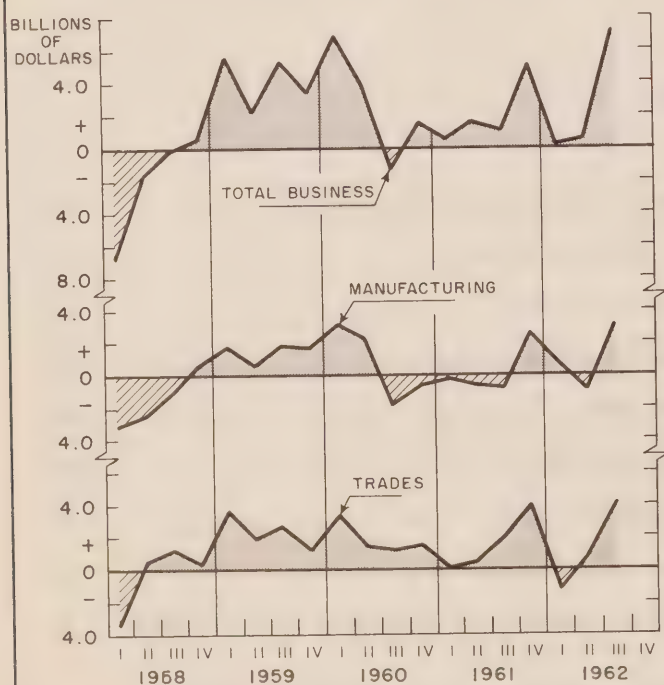
G.N.P. ROSE BY 1.7 PER CENT, OF WHICH ABOUT ONE-THIRD WAS ACCOUNTED FOR BY A PRICE INCREASE



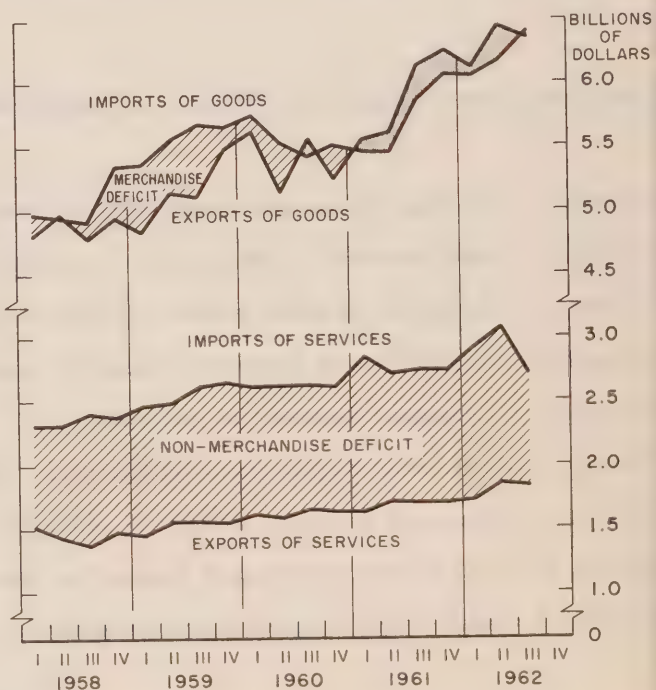
THE DROP IN GOVERNMENT EXPENDITURE ON GOODS AND SERVICES WAS MAINLY CONCENTRATED AT THE FEDERAL LEVEL



NON-FARM BUSINESS INVENTORIES SHOWED THE LARGEST ACCUMULATION SINCE THE FIRST QUARTER OF 1957



TOTAL DEFICIT ON CURRENT ACCOUNT REMAINED UNCHANGED WITH OFFSETTING MOVEMENTS IN THE COMPONENT ITEMS



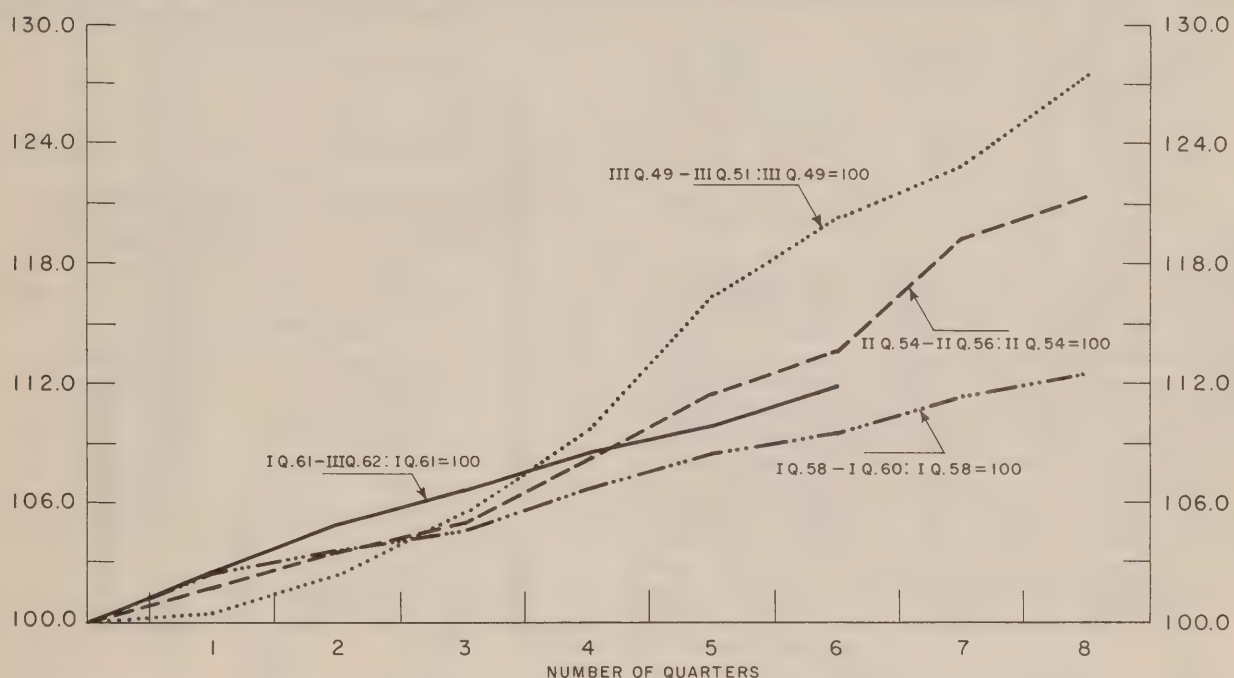
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INTRODUCTORY REVIEW

Gross National Product continued to advance in the third quarter of 1962, reaching a level of \$40,256 million, seasonally adjusted at annual rates, 1.7 per cent higher than in the second quarter. A considerable part of this increase represented higher prices, so that the volume of production was up 1 per cent.

Since the first quarter of 1961, the trough prior to the current expansion, Gross National Product excluding agriculture, has increased 12 per cent, with quarter-to-quarter increases of 2.5, 2.3, 1.7, 1.8, 1.3, and 1.7 per cent. Six quarters from the trough the performance in the current expansion is better than the 9.5 per cent in the 1958-1959 expansion, but slightly less than the 13.7 per cent in the 1954-1955 expansion.

INDEX OF G.N.P. (EX. FARM) OVER 8 QUARTERS OF POST-WAR EXPANSIONS



BASED ON SEASONALLY ADJUSTED DATA

It is interesting to compare the pattern of developments in the current expansion with that of the expansion of 1958-1959. Business gross fixed capital formation moved forward in 1961-1962 as compared with little change in 1958 and 1959. Expenditures by governments were also stronger in the present upswing. In both expansions accumulation of inventories was important, but in 1958-1959, investment in business inventories played a much greater role. With a large gain in exports in 1961-1962 and a more moderate increase in imports the external sector made a strong positive contribution to the level of economic activity in the current expansion, unlike the situation in 1958-1959 when imports rose much more than exports. Consumer expenditure played a somewhat less important part in this 6 quarter expansion than in the same period of the previous expansion.

It may also be of interest to note that the per capita production in real terms in the second and third quarters of 1962 exceeded the previous high in the fourth quarter of 1956.

Quarter to Quarter Changes in Final Purchases
(Seasonally Adjusted at Annual Rates)
(millions of dollars)

	4Q'58 to 1Q'59	1Q'59 to 2Q'59	2Q'59 to 3Q'59	3Q'59 to 4Q'59	4Q'59 to 1Q'60	1Q'60 to 2Q'60	2Q'60 to 3Q'60	3Q'60 to 4Q'60	4Q'60 to 1Q'61	1Q'61 to 2Q'61	2Q'61 to 3Q'61	3Q'61 to 4Q'61	4Q'61 to 1Q'62	1Q'62 to 2Q'62	2Q'62 to 3Q'62
1. Personal Expenditure	476	80	324	244	- 4	476	44	528	- 120	340	380	96	712	108	124
2. Government Expenditure	72	240	- 232	84	36	52	260	88	32	216	144	100	276	244	- 212
3. Residential Construction	- 52	- 100	- 32	20	- 84	- 252	24	- 16	- 36	92	140	- 100	72	- 12	56
4. Non-Residential Construction	- 200	124	- 24	32	- 8	- 100	56	-	36	- 56	92	108	- 12	12	- 64
5. Machinery and Equipment	- 84	256	148	- 124	144	- 108	- 64	100	- 256	- 168	128	72	80	28	108
6. Exports	- 128	400	- 20	372	192	- 496	456	- 312	292	132	540	100	- 120	484	- 108
7. Total Final Purchases	84	1,000	164	628	276	- 428	776	388	- 52	556	1,424	376	1,008	864	- 96
8. (Final Domestic Demand)	(212)	(600)	(184)	(256)	(84)	(68)	(320)	(700)	(- 344)	(424)	(884)	(276)	(1,128)	(380)	(12)

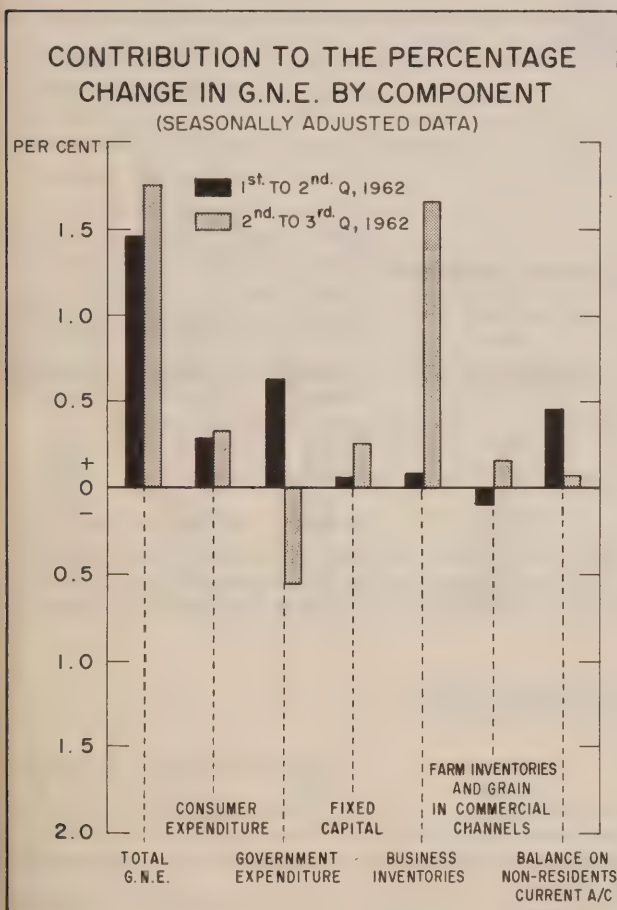
Quarter to Quarter Changes in Other Selected Items

9. "Shift" in Non-Farm Business Inventories	488	- 336	308	- 192	352	- 312	- 512	288	- 96	108	- 64	400	- 480	36	656
10. Imports	112	208	244	4	40	- 204	- 108	76	232	- 160	424	204	152	304	- 140
11. G.N.P. (ex Farm)	652	536	292	568	368	- 256	96	552	- 436	860	824	616	664	476	652

Constant (1957) Dollars
Quarter to Quarter Percentage Changes in Selected Items

12. Final Domestic Demand	-	1.2	0.1	0.2	0.1	- 0.4	0.6	1.5	- 1.1	1.1	2.1	0.3	2.4	0.4	- 0.5
13. Total Final Purchases	- 0.4	2.0	- 0.1	1.0	0.6	- 1.7	1.7	0.5	- 0.2	1.2	2.7	0.4	1.6	1.1	- 0.7
14. Gross National Expenditure	0.9	1.1	0.1	0.6	1.8	- 1.5	0.2	1.4	- 2.4	2.7	2.5	1.1	2.3	1.1	1.1

The accumulation of business inventories was the most important single factor raising the level of economic activity in the third quarter. Investment in business inventories rose at seasonally adjusted annual rates from only \$60 million in the second quarter to over \$700 million in the third. Further stimulus came from business gross fixed capital formation, with good gains in outlays for residential construction, largely reflecting the high rate of housing starts early in the year, and in machinery and equipment; outlays for non-residential construction were slightly lower. Exports of goods and services receded a little from their high second quarter level. Imports of goods and services fell more than exports so that on balance the external sector made a small contribution to the level of economic activity. There was a notable improvement in the deficit on invisibles, as payments declined and receipts were virtually unchanged. Government expenditure on goods and services was moderately lower in total, with Federal outlays down considerably and a slight decline in provincial-municipal spending. There was a sharp drop in the combined government deficit, the major part of the decline being at the Federal level.



Turning to the income side, the salient developments in the third quarter were a further advance in labour income and a slight dip in corporate profits before taxes and before dividends paid abroad. However, dividends paid abroad were down sharply so that corporate profits for national income purposes, that is, after dividends paid abroad, were moderately higher. National Income rose less than Gross National Product, largely because of the increase in indirect tax yields following the imposition of temporary import surcharges in June of this year. Personal income was slightly lower, reflecting the drop in Canadian Wheat Board payments to the farmers from the exceptionally high levels of the second quarter.

With three quarters data available it is possible to suggest orders of magnitude for the year as a whole. In the first three quarters of 1962, Gross National Product was running 8.8 per cent over the comparable period of 1961 and 7.5 per cent over the 1961 annual average. If there were no change between the third and fourth quarter, Gross National Product for 1962 would be 7.9 per cent above 1961. If one assumes, for example, a growth of 1 per cent in the fourth quarter, it would mean a Gross National Product 8.2 per cent over 1961.

Percentage Changes in Components of Gross National Expenditure ^{1/}

	3 Quarters 1961 to 3 Quarters 1962 Col. (1)	4Q 1961 to 1Q 1962 Col.(2)	1Q 1962 to 2Q 1962 Col.(3)	2Q 1962 to 3Q 1962 Col.(4)
Personal Expenditure	5.3	2.9	0.4	0.5
Government Expenditure	7.8	3.7	3.2	- 2.7
Residential Construction	7.3	4.9	- 0.8	3.6
Non-Residential Construction	4.2	- 0.4	0.4	- 2.3
Machinery and Equipment	9.7	3.2	1.1	4.2
Exports	8.7	- 1.5	6.2	- 1.3
Total Final Demand	6.5	2.2	1.8	- 0.2
Inventories	(\$0.6b)	(\$0.2b)	-	(\$0.7b)
(Business Only)	(\$0.1b)	(-\$0.5b)	-	(\$0.7b)
Imports	9.1	1.7	3.4	- 1.5
Gross National Expenditure (Value)	8.8	2.8	1.5	1.7
Volume Component	7.8	2.3	1.1	1.1

^{1/} All comparisons except 3 quarters 1961 to 3 quarters 1962 are based on data seasonally adjusted at annual rates.

Percentage Changes in Major Income Components ^{1/}

	3 Quarters 1961 to 3 Quarters 1962 Col. (1)	4Q 1961 to 1Q 1962 Col.(2)	1Q 1962 to 2Q 1962 Col.(3)	2Q 1962 to 3Q 1962 Col.(4)
Wages, Salaries, and Supplementary Labour Income...	6.5	1.9	1.6	0.7
Transfer Payments	8.7	4.2	0.3	1.1
Personal Income	9.4	2.7	3.4	- 0.4
Corporation Profits (Before Dividends Paid Abroad)...	13.9	- 2.0	2.7	- 1.0
Rent, Interest, and Miscellaneous Investment Income	5.2	2.5	3.7	- 1.6
Net Income of Non-Farm Unincorporated Business	7.8	3.5	- 0.7	3.2
Net National Income at Factor Cost	9.4	3.1	1.3	1.1

Selected Government Revenues
(All Levels of Government)

Direct Personal Taxes	7.6	1.7	1.7	3.9
Corporation Tax Liabilities	9.5	0.7	3.0	- 2.7
Indirect Taxes	13.1	3.8	1.7	3.6

^{1/} All comparisons except 3 quarters 1961 to 3 quarters 1962 are based on data seasonally adjusted at annual rates.

Price Movements

Approximately two-thirds of the 1.7 per cent increase in Gross National Product from the second to the third quarter of 1962 represented a gain in real terms. The increase of 0.7 per cent in the price component of Gross National Product compares with an increase of 0.3 per cent in the preceding quarter.

For the second consecutive quarter, the price component of personal expenditure advanced by a little over one-half of 1 per cent. As in the preceding quarter, much of the increase was attributable to food prices which, on a seasonally adjusted basis, advanced 1.1 per cent between the second and third quarters. The price index of gross fixed capital formation showed a moderate increase of 0.5 per cent, reflecting increases of 0.7 per cent for new residential construction and 0.5 per cent for machinery and equipment, with virtually no change in price for new non-residential construction. In contrast to the four preceding quarters, prices of exports and imports increased only fractionally. The changes in Gross National Product by value, volume and price are shown in the accompanying table.

Percent Changes - Current Dollars, Constant Dollars, and Prices

	2nd Quarter 1962 to 3rd Quarter 1962 (Seasonally Adjusted Data)			3 Quarters 1961 to 3 Quarters 1962 (Unadjusted for Seasonal Variation)		
	Value	Volume	Price ^{1/}	Value	Volume	Price ^{1/}
Personal Expenditure	0.5	- 0.2	0.7	5.3	4.0	1.1
Goods	0.3	- 0.4	0.8	5.8	5.1	0.7
Services	0.7	0.3	0.4	4.5	2.3	2.1
Government Expenditure	- 2.7	- 2.9	0.3	7.8	5.1	2.5
Gross Fixed Capital Formation	1.5	1.0	0.5	7.0	4.6	2.2
New Residential Construction	3.6	2.9	0.7	7.3	4.8	2.4
New Non-Residential Construction	- 2.3	- 2.4	0.1	4.2	2.5	1.6
New Machinery and Equipment	4.2	3.6	0.5	9.7	6.8	2.8
Exports of Goods and Services	- 1.3	- 1.7	0.5	8.7	5.0	3.5
Imports of Goods and Services	- 1.5	- 1.7	0.2	9.1	4.2	4.8
Gross National Expenditure	1.7	1.1	0.7	8.8	7.8	<u>2/</u>

1/ Implicit Price Indexes.

2/ Weighting shifts related to farm inventory change have affected the implicit price index for Gross National Expenditure on an unadjusted basis. The G.N.E. Laspeyres-type price index indicates that price change has been 1.3 per cent for this period.

DEVELOPMENTS IN THE THIRD QUARTER

Production and Employment

Seasonally adjusted, production both exclusive and inclusive of agriculture for the third quarter of 1962 increased in volume by 1 per cent over the previous quarter. Both the goods and service-producing industry groups also advanced by 1 per cent and contributed almost equally to the aggregate gain.

The mining and forestry industries advanced by about 2 per cent each, while manufacturing expanded by just over 1 per cent. The only component of the goods-producing industries to decline was construction, which decreased by almost 2 per cent.

The gain in manufacturing was preponderantly due to a 3 per cent increase in durables' output. The largest gain was in transportation equipment (6 per cent), reflecting considerably higher motor vehicle output (9 per cent). In line with this development was a 5 per cent advance in iron and steel products, concentrated mainly in the primary iron and steel and iron castings industries. With strong gains in both sawmills and veneer and plywoods output, wood products advanced by more than 3 per cent. There were only marginal movements in non-ferrous metal products, non-metallic mineral products and electrical apparatus and supplies.

Non-durable manufactures declined by one-half of 1 per cent during the quarter with foods and beverages (-3 per cent) and chemicals (-2 per cent) being the largest contributors to the decline. However, the latter group was strike-affected. Less than 1 per cent declines were recorded in leather products, clothing, printing and publishing and petroleum products. Increases of 2 to 3 per cent occurred in the rubber products, paper products, textiles and miscellaneous manufactures groups.

The increase in mining was concentrated in fuels (6 per cent), and non-metals (2 per cent). The 3 per cent drop in metal mining was the result of declines in both iron ore and nickel, partly offset by a gain in copper output.

Within the service-producing industries the transportation, storage and communication, the electric power and gas utilities, and the community, recreation, business and personal service industry divisions made the largest gains (2 per cent), each accounting therefore for a substantial portion of the 1 per cent increase in total service output. Transportation contributed more than two-thirds of the gain in transportation, storage and communication, with air transport showing a sharp upward movement and railway transport a slight decline. However, the bulk of the increase came from oil and gas pipeline transport. The community, recreation, business and personal service group continued its steady advance with the business and personal service industries showing the largest gain.

A fractional decline in the output of the retail trade industry was offset by a slight increase in wholesale trade. The finance, insurance and real estate group continued to expand, increasing by one-half of 1 per cent, while activity in the public administration and defence industries declined marginally.

When seasonal factors are taken into account employment was virtually unchanged in the third quarter. Unemployment averaged 6.0 per cent of the labour force compared with 5.8 per cent in the preceding quarter.

Personal Expenditure on Consumer Goods and Services

Personal expenditure advanced by half a percent, continuing the moderate rate of increase evident in the previous quarter. In volume terms there was little change in this component. Most of the components showed a rate of increase larger than this, but two elements made a particular contribution to dampening the increase in this quarter -- a decline of 12 per cent in the net purchases of automobiles, and a sharp decrease in the net expenditure abroad component of services, reflecting changes in the tourist and travel account with non-residents.

Expenditures on durables decreased by 7 per cent with purchases of cars falling from the high levels which had prevailed since the fourth quarter of last year. Among the other durables, purchases of furniture and home furnishings increased 1 per cent and 6 per cent respectively, while appliances and radios declined significantly.

Services increased by about half a percent but, apart from net expenditure abroad, greater strength was widespread among almost all elements.

Expenditures on non-durable goods increased 2 per cent. Significant changes were in clothing and footwear ($4\frac{1}{2}$ per cent), gas, oil and grease ($2\frac{1}{2}$ per cent), and food (1 per cent), partially offset by alcoholic beverages (-6 per cent), and fuel (-3 per cent).

Business Gross Fixed Capital Formation

The expansion in fixed capital formation contributed toward the overall increase in the level of production in the quarter, with business adding \$100 million to their annual rate of capital spending. Outlays on fixed capital rose from a rate of \$6868 million to \$6968 million, or by $1\frac{1}{2}$ per cent after allowance for seasonal factors. The strength stemmed mainly from activity in the housing field, where there was a carry-over of work from the high numbers of dwellings started in the first quarter of the year, and from investment in machinery and equipment. Business spending on fixed capital in the third quarter represented 17.3 per cent of total gross national expenditure, maintaining a relatively stable proportion over the current upswing in business activity.

The value of residential construction during the quarter rose by $3\frac{1}{2}$ per cent to an annual level of approximately \$1600 million, as the annual rate of completions of dwelling units rose from 115,000 to 126,000 in the third quarter, reflecting to some extent the high level of units started at the beginning of the year. This increase, together with indications of higher construction costs, more than offset the fall in the number of units started. Starts declined from an annual rate of 133,000 in the second quarter to 129,000 in the third quarter.

The annual rate of non-residential construction activity slowed from \$2760 million to \$2696 million after allowance for seasonal factors. Although a breakdown of this figure is not available, a large part of the more than 2 per cent drop appears to be in engineering-type construction work.

The estimate of outlays on machinery and equipment shows a 4 per cent increase over the second quarter, and a level of \$2680 million at annual rates seasonally adjusted. The estimate should be regarded as more tentative than usual in view of the fact that at the time of its preparation, no information on machinery imports was available. However, all indications point toward a strong upswing in the rate of spending, with domestic shipments of machinery 6 per cent higher, farm implement sales over 10 per cent higher, and the overall level of merchandise imports almost 4 per cent above the second quarter.

Investment in Non-Farm Business Inventories

The building up of inventories provided the largest single element to increasing economic activity in the third quarter. From the very low level of \$60 million in the second quarter investment in non-farm business inventories rose to over \$700 million in the third quarter at annual rates. Most of the stockbuilding took place in manufacturing and retail trade. Wholesale trade shifted from liquidation on a considerable scale to a moderate rate of accumulation. Other industries kept on re-stocking but at a reduced rate. The following table shows investment in non-farm business inventories in the first three quarters of the year.

Change in Non-Farm Business Inventories
(Seasonally Adjusted at Annual Rates)
(millions of dollars)

	1962		
	I Q.	II Q.	III Q.
Manufacturing	88	- 92	304
Durables	- 60	16	156
Non-Durables	148	- 108	148
Wholesale	- 48	- 132	40
Retail	- 76	220	364
Other Industries	60	64	8
Grand Total ...	24	60	716

Among manufacturing industries there was a fairly widespread shift from liquidation to accumulation of inventories. Most of the fairly general increase in inventories in the non-durable lines occurred in the food and chemicals industries. Among durables there was a pronounced building up of stocks in the transportation equipment and iron and steel industries, partially offset by liquidation in the non-ferrous metal products and wood products industries. Stocks were built up at each stage of production with the increase being greatest in goods in process and in finished goods.

These developments in manufacturers' stocks took place against a background of rising production and more moderate increases in shipments. The ratio of stocks to shipments at the end of the quarter was a shade higher than at the end of the preceding quarter.

In wholesale trade, liquidation which took place in the first quarter and continued at an accelerated pace in the second, gave way to modest accumulation in the third. There were conflicting and offsetting movements among durables, so that the over-all accumulation took place in the non-durable lines. This accumulation slightly raised the ratio of stocks to shipments.

In retail trade, stockbuilding continued at an accelerated rate in the third quarter. The ratio of stocks to sales was higher in the third quarter.

Exports and Imports of Goods and Services

At an annual rate of \$0.9 billion, the deficit on current account remained almost unchanged from the previous quarter, although important changes were taking place during the period in the factors contributing to this deficit. Total imports of goods and services declined by 1½ per cent to an annual rate of \$9128 million, seasonally adjusted, as a 12 per cent decline in payments for services more than offset the 4 per cent rise in merchandise imports. In exports the 1 per cent drop in level which reduced the seasonally adjusted annual rate to \$8212 million was primarily the result of a decline in merchandise exports.

Exports and Imports of Merchandise and Services (Seasonally Adjusted at Annual Rates)

	1Q '61	2Q '61	3Q '61	4Q '61	Annual '61	1Q '62	2Q '62	3Q '62
	(Millions of Dollars)							
Exports:	7,184	7,316	7,856	7,956	7,578	7,836	8,320	8,212
Merchandise	5,564	5,608	6,156	6,256	5,896	6,112	6,460	6,376
Services	1,620	1,708	1,700	1,700	1,682	1,724	1,860	1,836
Imports:	8,344	8,184	8,608	8,812	8,487	8,964	9,268	9,128
Merchandise	5,476	5,464	5,856	6,072	5,717	6,048	6,184	6,408
Services	2,868	2,720	2,752	2,740	2,770	2,916	3,084	2,720
Balance:								
Total	-1,160	-868	-752	-856	-909	-1,128	-948	-916
Merchandise	88	144	300	184	179	64	276	-32
Services	-1,248	-1,012	-1,052	-1,040	-1,088	-1,192	-1,224	-884

The commodity detail, accounting for the increase in merchandise imports, is not yet available for the third quarter, but country of origin detail reveals that about 85 per cent of the increase was in imports from the United States and the United Kingdom.

The reduction of 12 per cent in service payments was brought about by lower payments in all categories. The sharpest reductions occurred in the outflow of interest and dividend payments which declined by 18 per cent from the unusually high second quarter level, in payment for miscellaneous current services which fell by 11 per cent and in Canadian residents' travel expenditures abroad which were reduced by 14 per cent.

Merchandise exports declined a little over 1 per cent from the record second quarter level. The declines were fairly general but particularly notable in exports of wheat and iron ore. Exports of non-ferrous metals were higher as nickel and aluminum increased and copper exports remained at the high level of the previous quarter. Exports of goods to the United States declined by 2 per cent, increased by over 1 per cent to the United Kingdom and fell by 10 per cent to all other countries combined.

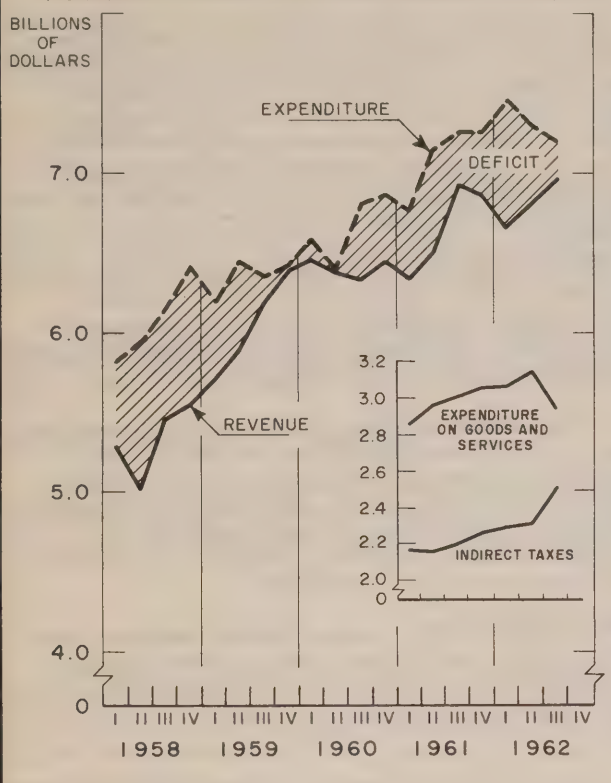
Receipts for services changed little from the previous quarter. A reduction of just over 1 per cent in receipts was mainly due to a 4 per cent drop in receipts on non-residents' travel expenditures in Canada. Receipts on travel account were, however, much higher than in the same quarter last year.

The Government Sector

The combined deficit for all levels of government declined 34 per cent from \$988 million in the second quarter to \$656 million in the third quarter of 1962, seasonally adjusted at annual rates. There was a drop of 50 per cent at the Federal level and of 18 per cent at the provincial-municipal level. This improvement was the result at the Federal level of an increase of revenue coupled with a decrease in expenditure between the two quarters and at the provincial-municipal level of the increase in total revenue exceeding the increase in total expenditure.

FEDERAL GOVERNMENT REVENUE, EXPENDITURE, AND SELECTED COMPONENTS

(SEASONALLY ADJUSTED DATA AT ANNUAL RATES)



Seasonally adjusted, there was a small decline in total expenditure by all levels of government in the third quarter of 1962 over the previous quarter, with a decline of 1.3 per cent at the Federal level exceeding the 1 per cent increase in provincial-municipal outlays.

Although Federal transfer payments to the other levels of government rose by almost 10 per cent, seasonally adjusted, mainly because of increases in contributions to the provinces under the Hospital Insurance and Diagnostic Services Act and in respect of vocational training, this was exceeded by a drop in expenditure on goods and services. The changes at the provincial-municipal level were insignificant.

There were gains in revenue, seasonally adjusted, from personal direct taxes at all levels of government, principally due to increases in receipts from personal income taxes. Federal indirect taxes rose by 8.7 per cent because of the increased revenue from customs import duties and excise taxes brought about, in the main, by the imposition on June 24, 1962, of the temporary surcharges on certain classes of imports.

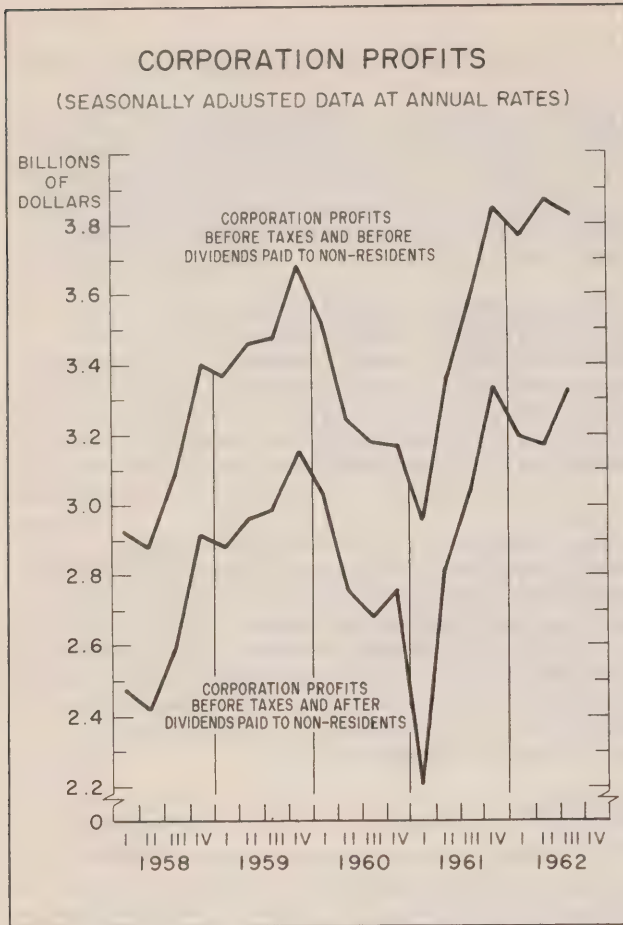
Labour Income

The seasonally adjusted estimate of labour income rose by 0.7 per cent from the second to the third quarter of 1962. The increase was the smallest quarter-to-quarter rise recorded since 1960.

The seasonally adjusted estimate of wages and salaries also rose by 0.7 per cent from the second to the third quarter of the year. In the previous ten years, gains of this magnitude had been associated with declines in wages and salaries in the goods-producing industries. However, from the second to the third quarter of 1962, the figure for these industries advanced by 0.5 per cent. The moderate size of the overall wage and salary gain in part reflects an unusually small rise in the service-producing industries. The gain of 0.9 per cent in this area, although significant, was one of the smallest for the last decade. The relatively small size of the gain in part reflected the stability of the seasonally adjusted wage and salary total for government service, which in most recent years has shown substantial gains from quarter to quarter.

Precise information on the influence of labour price increases on labour income is not available. However, it is known that some wage rate increases occurred in the summer months. Taking these into account, the fact that wages and salaries in goods-producing industries rose by only 0.5 per cent suggests that there was little increase in the volume of labour used in this segment of the economy.

Gains in trade and transportation, communication and other utilities approximated the overall gain of 0.9 per cent estimated for the service-producing sector as a whole. The 0.8 per cent rise for trade was down sharply, as a rise of 2.1 per cent occurred from the first to the second quarter. Wages and salaries in government service did not change significantly over the quarter, as previously noted. However, the figure for finance and non-government service continued to climb, with combined wages and salaries for these two industry divisions gaining by 1.4 per cent between the second and third quarters of the year.



Corporation Profits

Following an increase from the first to the second quarter of 1962, corporation profits (before taxes and before dividends paid to non-residents) showed a slight drop of 1 per cent in the third quarter of 1962, to a seasonally adjusted annual rate of \$3.8 billion. However, profits remained at anear record level, 29.5 per cent above the cyclical trough in the first quarter, 1961.

The main industries contributing to the decline were: mines, quarries and oil wells; finance, insurance and real estate; and retail trade. The manufacturing, and transportation, storage and communication groups partly offset the decline.

Within manufacturing, increases were recorded in metal industries (including transportation equipment), non-metallic mineral products, food and beverages, wood, paper, and chemical products industries. Slight declines were noticed in petroleum and coal products, textile, and printing, publishing and allied industries.

Dividends paid to non-residents declined substantially by about 26 per cent, so that corporation profits before taxes and after dividends paid abroad increased by about 4 per cent.

Changes in Corporation Profits - Selected Industries

	2nd Q. 1962 to 3rd Q. 1962 (Seasonally Adjusted)	3 Quarters 1961 to 3 Quarters 1962 (Unadjusted for Seasonal Variation)
	%	%
Mines, Quarries and Oil Wells	- 16.5	20.3
Manufacturing Industries:	6.4	19.8
Food and Beverage Industries	7.9	8.4
Rubber Industries	- 16.7	- 6.2
Textile Industries	- 11.1	11.1
Wood Industries	13.0	26.2
Paper and Allied Industries	5.3	17.7
Printing, Publishing and Allied Industries	- 11.1	14.0
Metal Industries (Including Transportation Equipment)	12.7	32.0
Electrical Products Industries	5.6	54.5
Non-Metallic Mineral Products Industries	26.3	28.9
Petroleum and Coal Products Industries	- 10.3	6.7
Chemical and Chemical Products Industries	11.8	18.8
Other Manufacturing Industries	- 5.9	8.5
Transportation, Storage and Communication	9.0	3.5
Electric Power, Gas and Water Utilities	4.8	8.2
Wholesale Trade	-	- 2.0
Retail Trade	- 12.3	17.9
Finance, Insurance and Real Estate	- 9.7	6.8
Community, Business and Personal Service Industries ...	5.9	7.8
Other Non-Manufacturing	- 8.3	4.9
TOTAL ALL INDUSTRIES	- 1.0	13.9

Rent, Interest and Miscellaneous Investment Income

Rent, interest and miscellaneous investment income dropped by about 2 per cent from the second quarter 1962 to the third quarter 1962 after adjustment for seasonal factors, chiefly because of a fall in profits of Federal government business enterprises and withholding taxes on interest and dividends paid to non-residents.

Farm Income

Accrued net income of farm operators from farm production rose 2.5 per cent, seasonally adjusted, from the second to the third quarter of 1962. Record levels were attained in cash receipts from the sale of grain and livestock products, resulting from increases in the production of both of these items. Offsetting these increases were declines in cash income from the sale of other products, particularly tobacco, and in the profits of the Canadian Wheat Board.

Seasonally adjusted, net income received by farm operators from farm production, a component of personal income, declined 23 per cent in the third quarter. The decrease can be explained by the sharp drop in the Canadian Wheat Board payments from the irregularly high level of the second quarter.

Non-Farm Unincorporated Business

Net income of non-farm unincorporated business, seasonally adjusted, increased 3 per cent in the third quarter over the second quarter rate. Gains were registered in about half of the industry groups with the other industrial groupings remaining unchanged.

THE FIRST THREE QUARTERS OF 1962

As already mentioned, Gross National Product in the first three quarters of 1962 was running 8.8 per cent above the comparable period of 1961. Although all of the components of Gross National Product and Expenditure showed significant increases, an important feature in the comparison is the very much higher crop estimate in 1962 relative to the poor crop in the previous year.

The price component of Gross National Expenditure increased by somewhat over 1 per cent, on a year-over-year basis, as compared with an increase of 0.7 per cent between the year 1960 and the year 1961. Prices of both exports and imports rose sharply, the increases being associated with declines in the exchange rate that occurred in mid-1961 and again in the spring of 1962. Machinery and equipment, which has a high import content, also showed a significant increase in price. The price component of personal expenditure increased by 1.1 per cent as compared with an increase of 0.9 per cent between 1960 and 1961.

Production and Employment

A comparison of the seasonally unadjusted production data for the first three quarters of 1962 with the corresponding data for 1961, reveals a somewhat less than 8 per cent increase in volume. This increase is reduced to about 6 per cent by the exclusion of agriculture. Similarly, the 10 per cent advance in the total goods-producing industries is reduced to about 7½ per cent by the exclusion of agriculture.

Among the other goods-producing industries both mining and manufacturing advanced by 9 per cent with the durables component of manufacturing showing the largest gains (12 per cent). This increase was probably largely a result of the recovery of the more cyclically volatile industries from the 1960-1961 cycle which troughed in the first quarter of 1961. Construction increased by 4 per cent.

The service-producing industries increased by over 4 per cent. Higher than average output increases occurred in the electric power and gas utility and in the more cyclically sensitive trade and transportation, communication and storage industry groups. The remaining service industry divisions continued to expand, showing an increase of approximately 3 per cent each.

Associated with the gain in production in the first nine months' comparison was a 3.2 per cent increase in employment. Agriculture was the only major industry to show a decline in employment. As in the recent past there were better gains in employment in the service-producing industries than in the goods-producing industries. The service group -- public, community and recreational, and other services -- with an advance of 5.5 per cent showed the largest increase of all the industries. In the nine months' comparison unemployment in 1962 averaged 6.1 per cent of the labour force compared with

7.8 per cent in the like period of 1961. The distribution of employment by industry is shown in the accompanying table.

Employment by Industry ^{1/}

	First Nine Months Averages (Estimated in Thousands)		Per Cent Change
	1961	1962	
Total Employed	6,014	6,205	3.2
Males	4,354	4,482	2.9
Females	1,660	1,723	3.8
Goods-Producing Industries	2,756	2,827	2.6
Agriculture	683	667	- 2.3
Other Primary Industries	174	176	1.1
Manufacturing	1,501	1,563	4.1
Construction	398	421	5.8
Service-Producing Industries	3,258	3,378	3.7
Transportation and Other Utilities .	511	525	2.7
Trade	976	991	1.5
Finance, Insurance and Real Estate .	239	246	2.9
Service	1,532	1,616	5.5

^{1/} Includes unpaid workers and self-employed persons.

Personal Expenditure on Consumer Goods and Services

During the first three quarters of the year, personal expenditure increased 5 per cent over the first three quarters of 1961. This is 1 per cent more than is shown by similar comparisons for the two previous years.

All the major groups shared in the increase. The largest gain, 7 per cent, was registered by durable goods. This was in contrast to 1961 and 1960 which showed no change and -2 per cent respectively in similar three quarters comparisons. The largest contribution came from a 13 per cent advance in the net purchases of new and used cars.

Expenditures on non-durables increased 5½ per cent. Gains were widespread among individual items, with the increase in expenditure resulting from the introduction of the Ontario sales tax being significant.

Services rose 4½ per cent for the three quarters' comparison. Most of the larger items registered increases of 5 per cent or more. These were dampened by a large drop in net expenditure abroad.

The changes in consumer expenditure between 1961 and 1962 are shown in the accompanying table.

Consumer Expenditure
Per Cent Change

	Year 1960 to Year 1961	3 Quarters 1961 to 3 Quarters 1962
Food	1.8	2.8
Clothing	1.6	3.6
Other	7.3	9.7
Total Non-Durable Goods	3.8	5.4
Appliances and Radios	2.7	- 1.0
Home Furnishings and Furniture	2.1	4.1
Autos (New and Used)	0.4	12.9
Other	- 1.2	0.6
Total Durable Goods	1.0	7.2
Total All Goods	3.2	5.8
Total Services	4.7	4.5
Total Personal Expenditure	3.8	5.3
(Goods and Services)		

Business Gross Fixed Capital Formation

Looking at the levels of business fixed capital formation for the first three quarters of the year, the total shows an increase of 7 per cent over the same period one year ago, 1 per cent higher than the anticipations for the full year 1962 released in the mid-year review, "Private and Public Investment in Canada - Outlook 1962". A breakdown of the total for the same period shows new residential construction 7 per cent ahead, non-residential construction higher by 4 per cent and machinery and equipment almost 10 per cent higher. These figures compare with the anticipations for the full year of 4½ per cent, 1 per cent and 12 per cent respectively.

Non-Farm Business Inventories

A comparison of the investment in inventories during the three quarters of this year with the same quarters of last year, reveals that, at the total level, investment in inventories increased by about \$128 million. This increase was entirely due to the substantial positive turn-around of the present third quarter.

By industry, manufacturing and retail inventories accounted for the above increase. Wholesale inventories were reduced. The other industries showed virtually no change.

Exports and Imports of Merchandise and Services

A comparison of the first nine months of 1961 with the comparable period one year ago reveals total exports to be almost 9 per cent higher, with almost equal relative gains in both merchandise and services. Imports increased by a little over 9 per cent, with more than an 11 per cent increase in merchandise and almost 5 per cent in services.

Crude petroleum and iron ore are outstanding among the commodities showing higher sales but there were good gains in aluminum products, lumber and timber, woodpulp, nickel and copper. Declines were registered by uranium ores and concentrates, wheat and newsprint. In the case of imports, automobiles and parts, non-farm machinery and electrical apparatus were prominent among the commodities which were higher in 1962. Something less than one-half of the increases on both sides of trade was ascribable to higher export and import prices, a reflection of the change in the foreign exchange value of the Canadian dollar. The changes in exports by leading commodities and leading countries are shown in the accompanying table.

Domestic Exports

	Jan. - Sept. 1961	Jan. - Sept. 1962	Per Cent Change
(Thousands of Dollars)			
<u>Leading Commodities:</u>			
Newsprint Paper	561,749	546,506	- 2.7
Wheat	464,303	414,950	- 10.6
Lumber and Timber	266,182	300,877	+ 13.0
Woodpulp	255,496	275,601	+ 7.9
Nickel	234,657	248,880	+ 6.1
Aluminum and Products	181,044	212,727	+ 17.5
Copper and Products	150,472	157,662	+ 4.8
Uranium Ores and Concentrates	150,207	126,206	- 16.0
Petroleum, Crude	108,519	174,377	+ 60.7
Fish and Fishery Products	100,220	111,853	+ 11.6
Asbestos and Products	92,144	95,236	+ 3.4
Iron Ore	98,888	169,754	+ 71.7
Farm Machinery and Implements	66,856	66,417	- 0.7
<u>Leading Countries:</u>			
United States	2,236,186	2,667,117	+ 19.3
United Kingdom	662,789	660,033	- 0.4
European Common Market	341,267	300,158	- 12.0
Japan	172,232	158,930	- 7.7
Other	750,722	711,717	- 5.2
Total Domestic Exports ..	4,163,196	4,497,955	+ 8.0

Between the first three quarters of 1961 and the first three quarters of 1962 the deficit on invisibles narrowed a little. A decline of the deficit on travel account was partially offset by larger net payments on freight, interest and dividends and business services.

The surplus on merchandise trade was cut from some \$109 million to some \$8 million and the deficit on invisibles declined from \$775 million to \$762 million. Thus the total deficit rose from \$666 to \$754 million.

The Government Sector

Data for the first three quarters of 1962 compared with the same period of 1961 showed a 12 per cent decrease in the deficit of all levels of government, with the increase at the Federal level being more than offset by the decrease at the provincial-municipal level. The change at the Federal level was due to expenditure increasing to a greater extent than did revenue. At the provincial-municipal level, revenues advanced because of the over-lapping of the old and new tax arrangements at the beginning of 1962 and because of increased retail sales tax and real property tax revenues.

Labour Income

In the comparison of the first nine months of 1962 with the same period of 1961, labour income rose by 6.5 per cent. The increases for manufacturing, which is the largest industry in the goods-producing group, was 7.8 per cent. A gain of 7.2 per cent was recorded in the finance, service and government grouping. However, gains in the remaining goods-producing industries were larger than those in the rest of the service-producing industries, and in consequence the overall rise for goods-producing industries (7.6 per cent) exceeded that for service-producing industries (5.8 per cent).

Corporation Profits

In a comparison of the first three quarters of 1962 with the same period of 1961, corporation profits rose by about 14 per cent reflecting the record levels maintained during this year. The chief industries contributing to this increase were: manufacturing; mines, quarries and oil wells; retail trade; and finance, insurance and real estate groups. Higher profits were experienced by all industry groups except wholesale trade which showed a negligible decline.

Dividends paid to non-residents declined by about 5 per cent and corporation profits before taxes and after dividends paid abroad rose substantially by about 18 per cent.

Rent, Interest and Miscellaneous Investment Income

In the first three quarters of this year, rent, interest and miscellaneous investment income was about 5 per cent higher than in the same period of 1961. All components contributed to the increase except withholding taxes on interest and dividends paid abroad.

Farm Income

Accrued net income of farm operators from farm production increased sharply in the first three quarters of 1962 compared with the same period of 1961. Most of this increase can be attributed to the value of the 1962 grain crop, now estimated to be approximately \$560 million higher than the 1961 crop. However, cash receipts from the sale of grains declined, a reflection of the low crop production of last year. This was partially offset by increased receipts from the sale of livestock products resulting from the higher livestock prices during 1962.

Non-Farm Unincorporated Business

In a comparison of the first three quarters of 1962 with the first three quarters of 1961, net income of unincorporated non-farm business increased 8 per cent. The largest increase was in net income from retail trade with the other industries showing smaller increases or remaining flat.

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962		
	I	II	III	IV	Year	I	II	III
1. Wages, Salaries, and Supplementary Labour Income	4,423	4,702	4,903	4,856	18,884	4,732	5,022	5,185
2. Military Pay and Allowances	129	140	137	144	550	147	152	145
3. Corporation Profits before Taxes and before Dividends Paid to Non-Residents	609	910	969	950	3,438	767	1,051	1,017
4. Deduct: Dividends Paid to Non-Residents(1)	- 164	- 120	- 132	- 172	- 588	- 129	- 150	- 117
5. Rent, Interest, and Miscellaneous Investment Income	610	601	666	652	2,529	633	662	680
6. Accrued Net Income of Farm Operators from Farm Production(2)	33	133	680	91	937	15	125	1,215
7. Net Income of Non-Farm Unincorporated business(3)	438	559	598	654	2,249	491	604	624
8. Inventory Valuation Adjustment(4)	12	- 16	- 31	- 51	- 86	- 28	- 47	- 51
9. NET NATIONAL INCOME AT FACTOR COST	6,090	6,909	7,790	7,124	27,913	6,628	7,419	8,698
10. Indirect Taxes less Subsidies	1,110	1,155	1,137	1,241	4,643	1,226	1,292	1,340
11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	1,025	1,080	1,124	1,120	4,349	1,062	1,151	1,191
12. Residual Error of Estimate	- 81	- 134	67	87	- 61	- 125	- 225	15
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	8,144	9,010	10,118	9,572	36,844	8,791	9,637	11,244
14. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators)	(8,111)	(8,877)	(9,438)	(9,481)	(35,907)	(8,776)	(9,512)	(10,029)

(1) Includes the withholding tax applicable to this item.

(2) Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

(3) Includes net income of independent professional practitioners.

(4) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962		
	I	II	III	IV	Year	I	II	III
1. Personal Expenditure on Consumer Goods and Services	5,569	6,066	5,992	6,626	24,253	5,950	6,397	6,208
2. Government Expenditure on Goods and Services(1, 2)	1,581	1,630	2,074	1,898	7,183	1,740	1,799	2,156
3. Business Gross Fixed Capital Formation(3)	1,284	1,662	1,837	1,710	6,493	1,390	1,806	1,920
4. New Residential Construction	247	364	441	406	1,458	291	388	450
5. New Non-Residential Construction	476	623	814	734	2,647	512	664	817
6. New Machinery and Equipment	561	675	582	570	2,388	587	754	653
7. Value of Physical Change in Inventories(4)	- 49	- 187	331	- 333	- 238	- 81	- 224	1,030
8. Non-Farm Business Inventories	208	- 57	- 47	105	209	209	- 79	102
9. Farm Inventories and Grain in Commercial Channels	- 257	- 130	378	- 438	- 447	- 290	- 145	928
10. Exports of Goods and Services	1,578	1,861	2,117	2,022	7,578	1,724	2,075	2,238
11. Deduct: Imports of Goods and Services	- 1,900	- 2,157	- 2,165	- 2,265	- 8,487	- 2,058	- 2,441	- 2,292
12. Residual Error of Estimate	81	135	- 68	- 86	62	126	225	- 16
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	8,144	9,010	10,118	9,572	36,844	8,791	9,637	11,244

(1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

(2) For details of defence expenditures see line 3 Table 6.

(3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

(4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Source of Personal Income, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962		
	I	II	III	IV	Year	I	II	III
1. Wages, Salaries, and Supplementary Labour Income	4,423	4,702	4,903	4,856	18,884	4,732	5,022	5,185
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds	- 194	- 188	- 199	- 200	- 781	- 197	- 194	- 209
3. Military Pay and Allowances	129	140	137	144	550	147	152	145
4. Net Income Received by Farm Operators from Farm Production(1)	57	108	669	75	909	- 14	223	1,177
5. Net Income of Non-Farm Unincorporated Business	438	559	598	654	2,249	491	604	624
6. Interest, Dividends, and Net Rental Income of Persons(2)	672	706	686	786	2,850	690	752	755
Transfer Payments to Persons:								
7. From Government (Excluding Interest)	978	825	754	786	3,343	1,054	892	834
8. Charitable Contributions by Corporation	9	12	12	12	45	12	12	12
9. PERSONAL INCOME	6,512	6,864	7,560	7,113	28,049	6,915	7,463	8,523

(1) This item differs from line 6 of Table 1 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 4. Disposition of Personal Income, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962		
	I	II	III	IV	Year	I	II	III
1. Personal Direct Taxes	573	670	628	633	2,504	623	716	675
2. Income Taxes	454	584	543	545	2,126	500	627	586
3. Succession Duties and Estate Taxes	37	33	38	38	146	40	38	43
4. Miscellaneous	82	53	47	50	232	83	51	46
5. Personal Expenditure on Consumer Goods and Services	5,569	6,066	5,992	6,626	24,253	5,950	6,397	6,208
6. Non-Durable Goods	2,713	2,926	3,002	3,498	12,139	2,895	3,055	3,160
7. Durable Goods	554	743	642	755	2,694	638	823	618
8. Services(1)	2,302	2,397	2,348	2,373	9,420	2,417	2,519	2,430
9. Personal Net Saving	370	128	940	- 146	1,292	342	350	1,640
10. Personal Saving Excluding Change in Farm Inventories	605	204	575	222	1,606	561	400	788
11. Value of Physical Change in Farm Inventories	- 235	- 76	365	- 368	- 314	- 219	- 50	852
12. PERSONAL INCOME	6,512	6,864	7,560	7,113	28,049	6,915	7,463	8,523
13. (Personal Disposable Income)(2)	(5,939)	(6,194)	(6,932)	(6,480)	(25,545)	(6,292)	(6,747)	(7,848)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 5. Government Revenue, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962		
	I	II	III	IV	Year	I	II	III
1. Direct Taxes - Persons	573	670	628	633	2,504	623	716	675
2. Federal	461	582	543	546	2,132	468	564	526
3. Provincial and Municipal	112	88	85	87	372	155	152	149
4. Direct Taxes - Corporations	314	425	455	416	1,610	378	473	457
5. Federal	258	348	373	341	1,320	287	359	347
6. (Federal Tax Collections)	(302)	(367)	(319)	(301)	(1,289)	(322)	(373)	(326)
7. Provincial	56	77	82	75	290	91	114	110
8. (Provincial Tax Collections)	(77)	(70)	(75)	(63)	(285)	(91)	(79)	(101)
Withholding Taxes:								
9. Federal(1)	34	26	26	23	109	26	35	22
10. Indirect Taxes	1,153	1,207	1,233	1,300	4,893	1,289	1,361	1,412
11. Federal	496	553	554	587	2,190	528	596	635
12. Provincial and Municipal	657	654	679	713	2,703	761	765	777
13. Investment Income	232	252	284	344	1,112	251	287	267
14. Federal	67	84	112	143	406	73	109	84
15. Provincial and Municipal	165	168	172	201	706	178	178	183
16. Employer and Employee Contributions to Social Insurance and Government Pension Funds	194	188	199	200	781	197	194	209
17. Federal	128	119	129	131	507	128	122	135
18. Provincial and Municipal	66	69	70	69	274	69	72	74
Transfers from Federal:								
19. Provincial and Municipal	258	298	283	284	1,123	299	255	277
20. Total Revenue	2,758	3,066	3,108	3,200	12,132	3,063	3,321	3,319
21. Federal	1,444	1,712	1,737	1,771	6,664	1,510	1,785	1,749
22. Provincial and Municipal	1,314	1,354	1,371	1,429	5,468	1,553	1,536	1,570

(1) Beginning in 1962, the withholding tax series has been adjusted to conform more closely with the flow of interest and dividends to non-residents.

TABLE 6. Government Expenditure, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962		
	I	II	III	IV	Year	I	II	III
1. Goods and Services	1,581	1,630	2,074	1,898	7,183	1,740	1,799	2,156
2. Federal	696	716	793	765	2,970	749	771	769
3. (Defence)	(438)	(367)	(391)	(421)	(1,617)	(471)	(401)	(398)
4. Provincial and Municipal	885	914	1,281	1,133	4,213	991	1,028	1,387
5. Transfer Payments to Persons (Excluding Interest on the Public Debt)	978	825	754	786	3,343	1,054	892	834
6. Federal	601	519	425	469	2,014	666	527	455
7. Provincial and Municipal	377	306	329	317	1,329	388	365	379
8. Interest on the Public Debt	229	289	235	373	1,126	234	308	262
9. Federal	160	187	169	267	783	157	199	189
10. Provincial and Municipal	69	102	66	106	343	77	109	73
11. Subsidies	43	52	96	59	250	63	69	72
12. Federal	40	49	83	48	220	58	65	59
13. Provincial	3	3	13	11	30	5	4	13
Transfers to Provincial and Municipal:								
14. Federal	258	298	283	284	1,123	299	255	277
15. Total Expenditure	3,089	3,094	3,442	3,400	13,025	3,390	3,323	3,601
16. Federal	1,755	1,769	1,753	1,833	7,110	1,929	1,817	1,749
17. Provincial and Municipal	1,334	1,325	1,689	1,567	5,915	1,461	1,506	1,852
18. Deficit (-) or Surplus(+)	- 331	- 28	- 334	- 200	- 893	- 327	- 2	- 282
19. Federal	- 311	- 57	- 16	- 62	- 446	- 419(1)	- 32	-
20. Provincial and Municipal	- 20	29	- 318	- 138	- 447	92(1)	30	- 282
21. Total Expenditure Minus Deficit or Plus Surplus	2,758	3,066	3,108	3,200	12,132	3,063	3,321	3,319
22. Federal	1,444	1,712	1,737	1,771	6,664	1,510	1,785	1,749
23. Provincial and Municipal	1,314	1,354	1,371	1,429	5,468	1,553	1,536	1,570

(1) In this quarter the federal deficit is irregularly high by about \$75 million and the provincial - municipal surplus also correspondingly high as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements.

TABLE 7. Source of National Saving, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962		
	I	II	III	IV	Year	I	II	III
1. Personal Net Saving	370	128	940	- 146	1,292	342	350	1,640
2. Business Gross Saving	1,024	1,364	1,410	1,358	5,156	1,239	1,365	1,558
3. Undistributed Corporation Profits	23	259	275	222	779	148	312	329
4. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	1,025	1,080	1,124	1,120	4,349	1,062	1,151	1,191
5. Adjustment on Grain Transactions(1)	- 24	25	11	16	28	29	- 98	38
6. Inventory Valuation Adjustment	12	- 16	- 31	- 51	- 86	- 28	- 47	- 51
7. Government Surplus (+) or Deficit (-)	- 331	- 28	- 334	- 200	- 893	- 327	- 2	- 282
8. Residual Error of Estimate	- 81	- 134	67	87	- 61	- 125	- 225	15
9. Totals	994	1,314	2,052	1,048	5,408	1,101	1,441	2,880

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 8. Disposition of National Saving, by Quarters, 1961 and 1962
(millions of dollars)

	1961					1962		
	I	II	III	IV	Year	I	II	III
1. Business Gross Fixed Capital Formation	1,284	1,662	1,837	1,710	6,493	1,390	1,806	1,920
2. New Residential Construction	247	364	441	406	1,458	291	388	450
3. New Non-Residential Construction	476	623	814	734	2,647	512	664	817
4. New Machinery and Equipment	561	675	582	570	2,388	587	754	653
5. Value of Physical Change in Inventories	- 49	- 187	331	- 333	- 238	- 81	- 224	1,030
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents	- 322	- 296	- 48	- 243	- 909	- 334	- 366	- 54
7. Residual Error of Estimate	81	135	- 68	- 86	62	126	225	- 16
8. Totals	994	1,314	2,052	1,048	5,408	1,101	1,441	2,880

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1961 and 1962(1)
(millions of dollars)

	1961					1962		
	I	II	III	IV	Year	I	II	III
1. Personal Expenditure on Consumer Goods and Services	5,254	5,728	5,637	6,240	22,859	5,576	5,967	5,743
2. Non-Durable Goods	2,618	2,825	2,874	3,352	11,669	2,772	2,909	2,979
3. Durable Goods	540	729	648	758	2,675	642	826	623
4. Services	2,096	2,174	2,115	2,130	8,515	2,162	2,232	2,141
5. Government Expenditure on Goods and Services ...	1,406	1,511	1,970	1,721	6,608	1,494	1,631	2,013
6. Business Gross Fixed Capital Formation	1,184	1,534	1,696	1,576	5,990	1,263	1,628	1,728
7. New Residential Construction	226	332	402	369	1,329	262	346	398
8. New Non-Residential Construction	439	577	760	684	2,460	469	605	747
9. New Machinery and Equipment	519	625	534	523	2,201	532	677	583
10. Change in Inventories	- 34	- 221	268	- 275	- 262	- 24	- 225	930
11. Non-Farm Business Inventories	204	- 51	- 49	105	209	208	- 82	93
12. Farm Inventories and Grain in Commercial Channels	- 238	- 170	317	- 380	- 471	- 232	- 143	837
13. Exports of Goods and Services	1,550	1,816	2,035	1,942	7,343	1,640	1,939	2,090
14. Deduct: Imports of Goods and Services	- 1,830	- 2,070	- 2,033	- 2,134	- 8,067	-1,897	- 2,211	- 2,074
15. Residual Error of Estimate	75	127	- 64	- 80	58	116	209	- 15
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	7,605	8,425	9,509	8,990	34,529	8,168	8,938	10,415

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, derived by dividing the value figures in Table 2 by the constant dollar figures in Table 9, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates (millions of dollars)

	1961					1962		
	I	II	III	IV	Year	I	II	III
1. Wages, Salaries, and Supplementary Labour Income	18,412	18,736	19,060	19,328	18,884	19,700	20,016	20,160
2. Military Pay and Allowances	540	544	544	572	550	600	592	576
3. Corporation Profits before Taxes and before Dividends paid to Non-Residents	2,956	3,364	3,588	3,844	3,438	3,768	3,868	3,828
4. Deduct: Dividends Paid to Non-Residents(1)	- 748	- 544	- 548	- 512	- 588	- 576	- 684	- 504
5. Rent, Interest, and Miscellaneous Investment Income	2,480	2,468	2,616	2,552	2,529	2,616	2,712	2,668
6. Accrued Net Income of Farm Operators from Farm Production(2)	864	932	1,016	936	937	1,340	1,432	1,468
7. Net Income of Non-Farm Unincorporated Business(3)	2,092	2,224	2,372	2,308	2,249	2,388	2,372	2,448
8. Inventory Valuation Adjustment	48	- 64	- 124	- 204	- 86	- 112	- 188	- 204
9. NET NATIONAL INCOME AT FACTOR COST	26,644	27,660	28,524	28,824	27,913	29,724	30,120	30,440
10. Indirect Taxes less Subsidies	4,556	4,584	4,540	4,892	4,643	5,024	5,132	5,324
11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	4,312	4,284	4,388	4,412	4,349	4,480	4,556	4,656
12. Residual Error of Estimate	48	- 40	- 56	- 196	- 61	- 228	- 240	- 164
13. GROSS NATIONAL PRODUCT AT MARKET PRICES ...	35,560	36,488	37,396	37,932	36,844	39,000	39,568	40,256
14. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators)	(34,696)	(35,556)	(36,380)	(36,996)	(35,907)	(37,660)	(38,136)	(38,788)

(1) See footnote 1, Table 1.

(2) Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

(3) Includes net income of independent professional practitioners.

TABLE 11. Gross National Expenditure, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates (millions of dollars)

	1961					1962		
	I	II	III	IV	Year	I	II	III
1. Personal Expenditure on Consumer Goods and Services	23,784	24,124	24,504	24,600	24,253	25,312	25,420	25,544
2. Government Expenditure on Goods and Services(1, 2)	6,924	7,140	7,284	7,384	7,183	7,660	7,904	7,692
3. Business Gross Fixed Capital Formation(3)	6,392	6,260	6,620	6,700	6,493	6,840	6,868	6,968
4. New Residential Construction	1,344	1,436	1,576	1,476	1,458	1,548	1,536	1,592
5. New Non-Residential Construction	2,616	2,560	2,652	2,760	2,647	2,748	2,760	2,696
6. New Machinery and Equipment	2,432	2,264	2,392	2,464	2,388	2,544	2,572	2,680
7. Value of Physical Change in Inventories ...	- 332	- 212	- 316	- 92	- 238	88	84	804
8. Non-Farm Business Inventories	60	168	104	504	209	24	60	716
9. Farm Inventories and Grain in Commercial Channels(4)	- 392	- 380	- 420	- 596	- 447	64	24	88
10. Exports of Goods and Services	7,184	7,316	7,856	7,956	7,578	7,836	8,320	8,212
11. Deduct: Imports of Goods and Services	- 8,344	- 8,184	- 8,608	- 8,812	- 8,487	- 8,964	- 9,268	- 9,128
12. Residual Error of Estimate	- 48	44	56	196	62	228	240	164
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	35,560	36,488	37,396	37,932	36,844	39,000	39,568	40,256
Detail of Farm Inventories and GICC:								
Value of grain crop production	636	636	636	640	637	1,200	1,200	1,200
Depletions of farm stocks of grain	- 1,156	- 1,040	- 928	- 828	- 988	- 976	- 888	- 1,204
Change in livestock inventories	92	160	12	- 116	37	- 4	16	4
Grain in Commercial Channels	36	- 136	- 140	- 292	- 133	- 156	- 304	88

(1) See footnote 1, Table 2.

(2) For details of defence expenditures, see line 3, Table 15.

(3) See footnote 3, Table 2.

(4) In the seasonally adjusted series, the value of grain crop production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 2, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 12. Source of Personal Income, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962		
	I	II	III	IV	Year	I	II	III
1. Wages, Salaries, and Supplementary Labour Income	18,412	18,736	19,060	19,328	18,884	19,700	20,016	20,160
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds	- 752	- 780	- 800	- 792	- 781	- 768	- 804	- 840
3. Military Pay and Allowances	540	544	544	572	550	600	592	576
4. Net Income Received by Farm Operators from Farm Production(1)	872	808	1,008	948	909	1,124	1,756	1,348
5. Net Income of Non-Farm Unincorporated Business	2,092	2,224	2,372	2,308	2,249	2,388	2,372	2,448
6. Interest, Dividends, and Net Rental Income of Persons(2)	2,800	2,832	2,828	2,940	2,850	2,892	3,008	3,088
Transfer Payments to Persons:								
7. From Government (Excluding Interest)	3,268	3,304	3,360	3,440	3,343	3,584	3,596	3,636
8. Charitable Contributions by Corporations	44	44	44	48	45	48	48	48
9. PERSONAL INCOME	27,276	27,712	28,416	28,792	28,049	29,568	30,584	30,464

(1) This item differs from line 6, Table 10 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 13. Disposition of Personal Income, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962		
	I	II	III	IV	Year	I	II	III
1. Personal Direct Taxes	2,396	2,460	2,584	2,576	2,504	2,620	2,664	2,768
2. Income Taxes	2,024	2,088	2,192	2,200	2,126	2,232	2,276	2,348
3. Succession Duties and Estate Taxes	148	132	152	152	146	160	152	172
4. Miscellaneous	224	240	240	224	232	228	236	248
5. Personal Expenditure on Consumer Goods and Services	23,784	24,124	24,504	24,600	24,253	25,312	25,420	25,544
6. Non-Durable Goods	11,976	12,164	12,280	12,136	12,139	12,560	12,532	12,792
7. Durable Goods	2,532	2,592	2,768	2,884	2,694	3,028	3,052	2,844
8. Services(1)	9,276	9,368	9,456	9,580	9,420	9,724	9,836	9,908
9. Personal Net Saving	1,096	1,128	1,328	1,616	1,292	1,636	2,500	2,152
10. PERSONAL INCOME	27,276	27,712	28,416	28,792	28,049	29,568	30,584	30,464
11. (Personal Disposable Income)(2)	(24,880)	(25,252)	(25,832)	(26,216)	(25,545)	(26,948)	(27,920)	(27,696)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 14. Government Revenue, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962		
	I	II	III	IV	Year	I	II	III
1. Direct Taxes - Persons	2,396	2,460	2,584	2,576	2,504	2,620	2,664	2,768
2. Federal	2,048	2,084	2,192	2,204	2,132	2,080	2,048	2,104
3. Provincial and Municipal	348	376	392	372	372	540	616	664
4. Direct Taxes - Corporations	1,432	1,588	1,716	1,704	1,610	1,716	1,768	1,720
5. Federal	1,176	1,304	1,404	1,396	1,320	1,304	1,344	1,304
6. (Federal Tax Collections)	(1,332)	(1,276)	(1,252)	(1,296)	(1,289)	(1,384)	(1,308)	(1,280)
7. Provincial	256	284	312	308	290	412	424	416
8. (Provincial Tax Collections)	(280)	(276)	(288)	(296)	(285)	(328)	(316)	(388)
Withholding Taxes:								
9. Federal(1)	112	112	108	104	109	104	144	104
10. Indirect Taxes	4,764	4,792	4,904	5,112	4,893	5,308	5,400	5,592
11. Federal	2,164	2,156	2,196	2,244	2,190	2,292	2,312	2,512
12. Provincial and Municipal(2)	2,600	2,636	2,708	2,868	2,703	3,016	3,088	3,080
13. Investment Income	1,060	1,060	1,208	1,120	1,112	1,140	1,188	1,140
14. Federal	364	360	496	404	406	396	448	392
15. Provincial and Municipal	696	700	712	716	706	744	740	748
16. Employer and Employee Contributions to Social Insurance and Government Pension Funds	752	780	800	792	781	768	804	840
17. Federal	488	504	520	516	507	492	516	544
18. Provincial and Municipal	264	276	280	276	274	276	288	296
Transfers from Federal:								
19. Provincial and Municipal	1,004	1,176	1,156	1,156	1,123	1,176	1,012	1,108
20. Total Revenue	11,520	11,968	12,476	12,564	12,132	12,832	12,980	13,272
21. Federal	6,352	6,520	6,916	6,868	6,664	6,668	6,812	6,960
22. Provincial and Municipal	5,168	5,448	5,560	5,696	5,468	6,164	6,168	6,312

(1) See footnote 1, Table 5.

(2) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 15. Government Expenditure, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962		
	I	II	III	IV	Year	I	II	III
1. Goods and Services	6,924	7,140	7,284	7,384	7,183	7,660	7,904	7,692
2. Federal	2,848	2,968	3,008	3,056	2,970	3,060	3,140	2,940
3. (Defence)	(1,560)	(1,636)	(1,592)	(1,680)	(1,617)	(1,680)	(1,724)	(1,624)
4. Provincial and Municipal	4,076	4,172	4,276	4,328	4,213	4,600	4,764	4,752
5. Transfer Payments to Persons (Excluding Interest on the Public Debt)	3,268	3,304	3,360	3,440	3,343	3,584	3,596	3,636
6. Federal	1,984	2,024	2,000	2,048	2,014	2,240	2,088	2,088
7. Provincial and Municipal	1,284	1,280	1,360	1,392	1,329	1,344	1,508	1,548
8. Interest on the Public Debt	1,084	1,136	1,112	1,172	1,126	1,104	1,188	1,224
9. Federal	748	800	764	820	783	748	824	836
10. Provincial and Municipal	336	336	348	352	343	356	364	388
11. Subsidies	208	208	364	220	250	284	268	268
12. Federal	180	180	332	188	220	252	236	232
13. Provincial	28	28	32	32	30	32	32	36
Transfers to Other Levels of Government:								
14. Federal	1,004	1,176	1,156	1,156	1,123	1,176	1,012	1,108
15. Total Expenditure	12,488	12,964	13,276	13,372	13,025	13,808	13,968	13,928
16. Federal	6,764	7,148	7,260	7,268	7,110	7,476	7,300	7,204
17. Provincial and Municipal	5,724	5,816	6,016	6,104	5,915	6,332	6,668	6,724
18. Deficit (-) or Surplus (+)	- 968	- 996	- 800	- 808	- 893	- 976	- 988	- 656
19. Federal	- 412	- 628	- 344	- 400	- 446	(1)	- 488	- 244
20. Provincial and Municipal	- 556	- 368	- 456	- 408	- 447	(1)	- 500	- 412
21. Total Expenditure Minus Deficit or Plus Surplus	11,520	11,968	12,476	12,564	12,132	12,832	12,980	13,272
22. Federal	6,352	6,520	6,916	6,868	6,664	6,668	6,812	6,960
23. Provincial and Municipal	5,168	5,448	5,560	5,696	5,468	6,164	6,168	6,312

(1) In this quarter the federal deficit is irregularly high by about \$300 million and the provincial-municipal deficit correspondingly low as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements. Reflecting this overlap, the federal deficit amounts to \$808 million and the provincial-municipal deficit to \$168 million seasonally adjusted and at annual rates.

TABLE 16. Source of National Saving, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962		
	I	II	III	IV	Year	I	II	III
1. Personal Net Saving	1,096	1,128	1,328	1,616	1,292	1,636	2,500	2,152
2. Business Gross Saving	4,628	5,196	5,260	5,540	5,156	5,708	5,160	5,892
3. Undistributed Corporation Profits	324	788	864	1,140	779	1,012	928	1,116
4. Capital Consumption Allowances, etc.	4,312	4,284	4,388	4,412	4,349	4,480	4,556	4,656
5. Adjustment on Grain Transactions(1)	- 8	124	8	- 12	28	216	- 324	120
6. Inventory Valuation Adjustment	48	- 64	- 124	- 204	- 86	- 112	- 188	- 204
7. Government Surplus (+) or Deficit (-)	- 968	- 996	- 800	- 808	- 893	- 976	- 988	- 656
8. Residual Error of Estimate	48	- 40	- 56	- 196	- 61	- 228	- 240	- 164
9. Totals	4,852	5,224	5,608	5,948	5,408	6,028	6,244	7,020

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 17. Disposition of National Saving, by Quarters, 1961 and 1962 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962		
	I	II	III	IV	Year	I	II	III
1. Business Gross Fixed Capital Formation	6,392	6,260	6,620	6,700	6,493	6,840	6,868	6,968
2. New Residential Construction	1,344	1,436	1,576	1,476	1,458	1,548	1,536	1,592
3. New Non-Residential Construction	2,616	2,560	2,652	2,760	2,647	2,748	2,760	2,696
4. New Machinery and Equipment	2,432	2,264	2,392	2,464	2,388	2,544	2,572	2,680
5. Value of Physical Change in Inventories	- 332	- 212	- 316	- 92	- 238	88	84	804
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents	- 1,160	- 868	- 752	- 856	- 909	- 1,128	- 948	- 916
7. Residual Error of Estimate	- 48	44	56	196	62	228	240	164
8. Totals	4,852	5,224	5,608	5,948	5,408	6,028	6,244	7,020

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1961 and 1962(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

	1961					1962		
	I	II	III	IV	Year	I	II	III
1. Personal Expenditure on Consumer Goods and Services	22,476	22,776	23,068	23,116	22,859	23,744	23,712	23,672
2. Non-Durable Goods	11,532	11,736	11,792	11,616	11,669	11,996	11,920	12,096
3. Durable Goods	2,504	2,544	2,744	2,908	2,675	3,064	3,072	2,832
4. Services	8,440	8,496	8,532	8,592	8,515	8,684	8,720	8,744
5. Government Expenditure on Goods and Services	6,392	6,608	6,720	6,712	6,608	6,900	7,100	6,892
6. Business Gross Fixed Capital Formation	5,904	5,780	6,108	6,168	5,990	6,228	6,196	6,260
7. New Residential Construction	1,220	1,312	1,440	1,344	1,329	1,388	1,372	1,412
8. New Non-Residential Construction	2,424	2,376	2,476	2,564	2,460	2,528	2,516	2,456
9. New Machinery and Equipment	2,260	2,092	2,192	2,260	2,201	2,312	2,308	2,392
10. Change in Inventories	- 364	- 248	- 340	- 96	- 262	68	84	724
11. Non-Farm Business Inventories	64	176	112	484	209	28	64	680
12. Farm Inventories and Grain in Commercial Channels	- 428	- 424	- 452	- 580	- 471	40	20	44
13. Exports of Goods and Services	7,036	7,148	7,564	7,624	7,343	7,436	7,796	7,660
14. Deduct: Imports of Goods and Services	- 8,068	- 7,884	- 8,080	- 8,236	- 8,067	- 8,316	- 8,424	- 8,284
15. Residual Error of Estimate	- 44	40	52	184	58	212	224	152
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	33,332	34,220	35,092	35,472	34,529	36,272	36,688	37,076

(1) See footnote 1, Table 9.

CATALOGUE No.

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"National Accounts, Income and Expenditure, by Quarters, 1947-61", for the years 1947-58.

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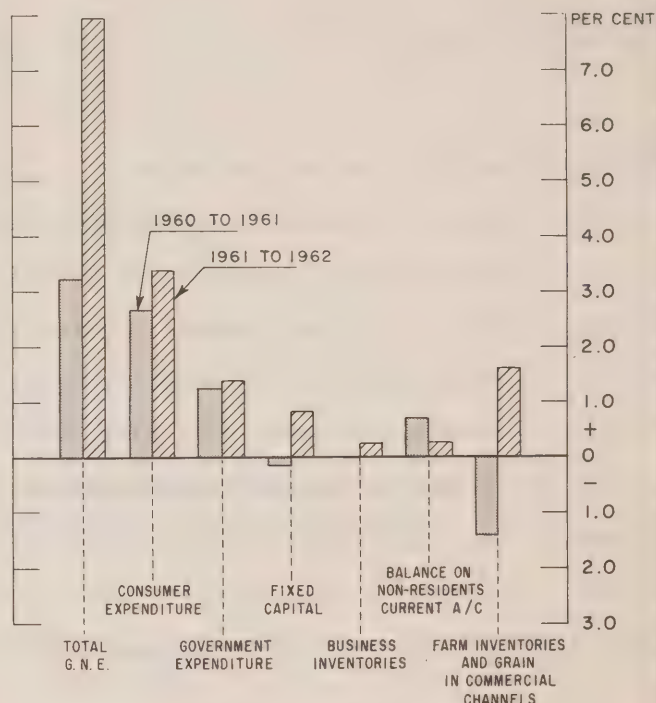
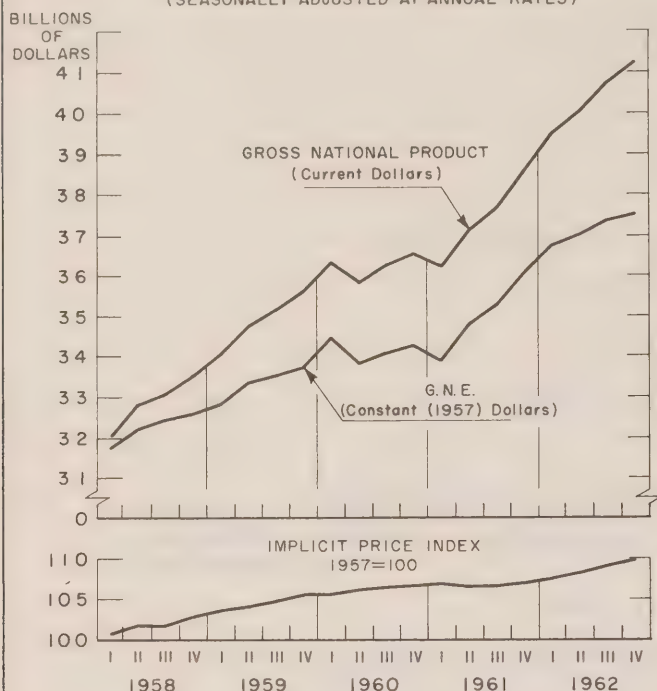
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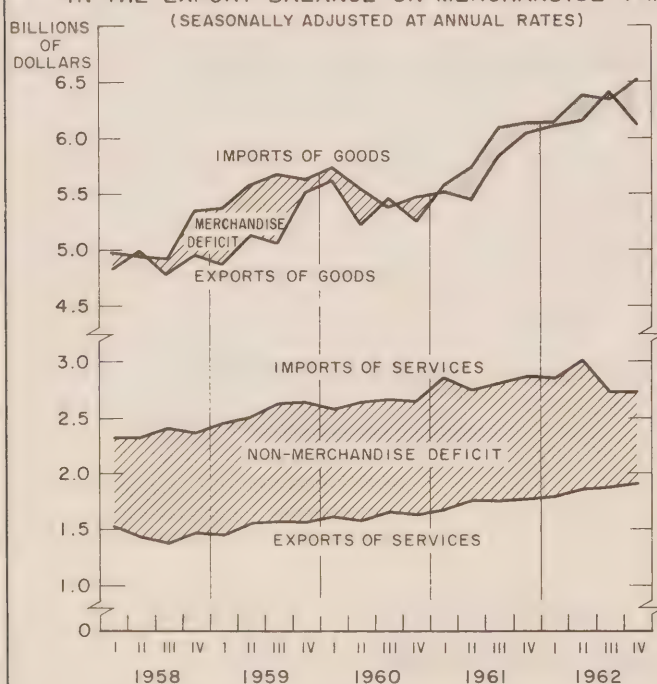
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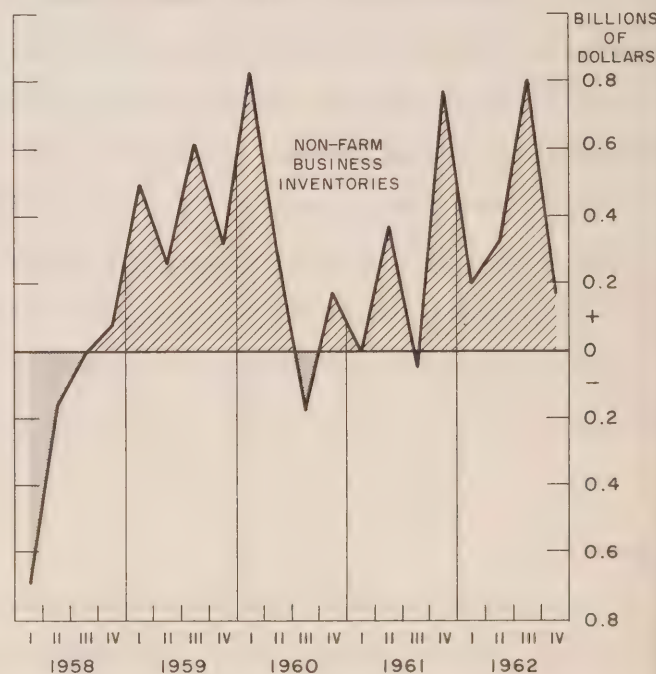
THE ADVANCE IN G.N.P. CONTINUED UNINTERRUPTED CONTRIBUTION TO THE PERCENTAGE CHANGE THROUGH THE YEAR. THE YEAR 1962 WAS 8 PER CENT HIGHER THAN THE PREVIOUS YEAR
(SEASONALLY ADJUSTED AT ANNUAL RATES)



THE TOTAL DEFICIT ON CURRENT ACCOUNT FELL FROM \$0.9 BILLION IN 1961 TO \$0.8 BILLION IN 1962, LARGELY DUE TO A REDUCTION IN THE DEFICIT ON TRAVEL ACCOUNT. IN THE FOURTH QUARTER A SHARP IMPROVEMENT WAS RECORDED IN THE EXPORT BALANCE ON MERCHANDISE TRADE



A BUILD-UP OF STOCKS CONTINUED THROUGHOUT THE YEAR BEING PARTICULARLY PRONOUNCED IN THE THIRD QUARTER
(SEASONALLY ADJUSTED AT ANNUAL RATES)



INTRODUCTORY REVIEW

(This report incorporates revisions to data for the years 1959, 1960, 1961, and the first three quarters of 1962. In large part, the revisions represent information which has become available during the past year from final tabulations of annual survey data. New information from "Taxation Statistics, 1962" has also been incorporated in the figures, as well as the results of the most recent survey, "Private and Public Investment in Canada - Outlook, 1963". The "old" and "revised" Gross National Product series, by quarters, from 1958 to date, are shown in Chart form on page 21).

Gross National Product rose to \$40,401 million in 1962, an 8 per cent advance over the previous year. This expansion represented the largest year-to-year gain since 1956 when the economy was stimulated by an exceptionally high level of capital expenditure. Price increases were moderate in 1962, accounting for less than 2 per cent of the increase in Gross National Product, leaving a gain in volume of a little more than 6 per cent.

All the main components of Gross National Expenditure contributed to the increase in the aggregate. Consumer spending, which rose more than 5 per cent, was a major expansionary influence. The strength in the consumer sector was particularly evident in the first and last quarters of the year; purchases of durables, notably passenger cars, were especially heavy in the fourth quarter. The increase in consumer spending was accompanied by a large rise in personal income and personal saving. Investment in fixed capital resumed its upward course, the bulk of the increased outlays being for machinery and equipment. Except in the third quarter, the accumulation of business inventories made only a modest contribution to the expansion of economic activity. With a near record crop in 1962, in contrast to a poor crop in 1961, there was a considerable accumulation of farm inventories in place of the liquidation of a year earlier. Largely in response to a higher level of demand in the United States, exports of goods and services were up nearly 8 per cent while imports also rose but not to the same extent; these increases reflect, in part, the lower exchange value of the Canadian dollar. Government expenditure was up substantially, mainly reflecting larger outlays at the provincial-municipal level.

The salient developments on the income side were a 7 per cent rise in labour income, an 11 per cent increase in corporate profits, and a sharp expansion in accrued farm income, largely a reflection of a near record crop. Personal income rose at about the same rate as national income.

A brief review of the developments, in current dollars, over the entire period since the trough in economic activity in the first quarter of 1961, cast in terms of major demand components of Gross National Expenditure and compared with the recoveries of 1954-56 and 1958-59, reveals some interesting changes in patterns.

Quarter to Quarter Changes in Final Purchases
(Seasonally Adjusted at Annual Rates)
(millions of dollars)

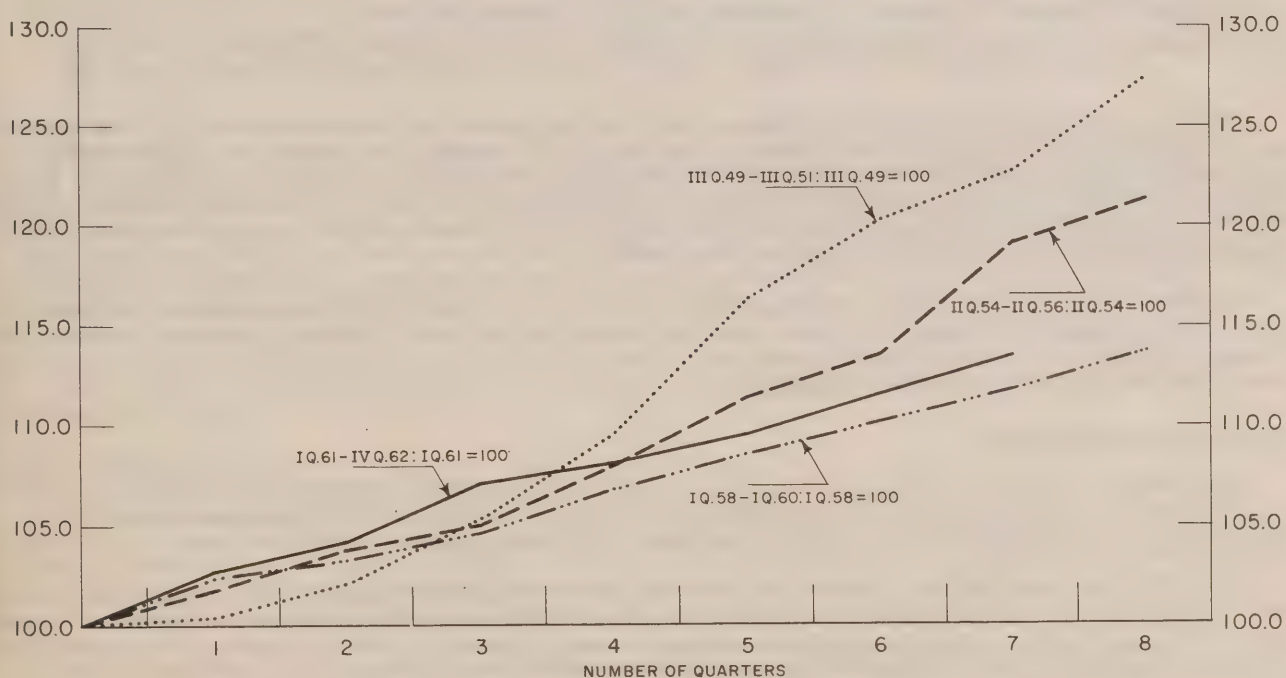
	2Q'59 to 3Q'59	3Q'59 to 4Q'59	4Q'59 to 1Q'60	1Q'60 to 2Q'60	2Q'60 to 3Q'60	3Q'60 to 4Q'60	4Q'60 to 1Q'61	1Q'61 to 2Q'61	2Q'61 to 3Q'61	3Q'61 to 4Q'61	4Q'61 to 1Q'62	1Q'62 to 2Q'62	2Q'62 to 3Q'62	3Q'62 to 4Q'62
1. Personal expenditure	260	292	144	236	244	244	-16	452	360	188	620	52	104	472
2. Government expenditure	-136	92	92	-64	428	-140	240	-12	192	120	-4	516	-76	-48
3. Residential construction ...	-52	32	-120	-204	-4	-8	28	36	48	-20	60	28	52	-24
4. Non-residential construction	-24	32	-20	-72	44	-12	32	28	72	88	-36	-80	-88	64
5. Machinery and equipment	156	-144	144	-68	-104	76	-112	-128	72	24	80	24	192	-4
6. Exports of Goods & Services	-52	428	152	-404	304	-228	376	228	364	56	28	332	-24	188
7. Total final purchases	152	732	392	-576	912	12	548	604	1,108	456	748	872	160	648
8. (Final Domestic demand)	(204)	(304)	(240)	(-172)	(608)	(240)	(172)	(376)	(744)	(400)	(720)	(540)	(184)	(460)
<u>Quarter to Quarter Changes in Other Selected Items</u>														
9. "Shift" in non-farm business inventories	364	-296	508	-552	-456	356	-176	372	-416	820	-576	128	472	-628
10. Imports of Goods & Services	232	-36	52	-156	-120	68	256	-184	464	272	40	204	-32	-304
11. G.N.P. (ex. farm)	452	532	624	-456	348	544	-432	1,000	516	968	452	496	676	672
<u>Constant (1957 Dollars)</u>														
<u>Quarter to Quarter Percentage Changes in Selected Items</u>														
12. Final domestic demand	0.1	0.4	0.5	-1.1	1.4	0.2	0.2	1.0	1.6	0.6	1.2	0.7	-0.2	0.6
13. Total final purchases	-0.1	1.3	0.8	-2.0	1.9	-0.3	1.0	1.4	1.9	0.5	0.9	1.1	-0.3	0.9
14. Gross national expenditure	0.5	0.7	2.0	-1.8	0.7	0.5	-1.0	2.7	1.3	2.2	2.0	0.7	1.0	0.5

Changes in Components of Gross National Expenditure and Other Data

	Per Cent Changes in Year-to-Year		Per Cent Changes over the year (Seasonally Adjusted)	
	1960-1961	1961-1962	IV Q. '60 to IV Q. '61	IV Q. '61 to IV Q. '62
Gross National Expenditure	3.2	8.0	5.7	6.9
Personal Expenditure	4.1	5.2	4.1	5.0
Government Expenditure	6.7	7.2	7.9	5.3
Business Gross Fixed Capital	-0.9	4.8	2.5	4.0
Business Inventories	(\$1 m.)	(\$99 m.)	(\$+600 m.)	(\$-604 m.)
Farm Inventories	(\$-506 m.)	(\$610 m.)	(\$-680 m.)	(\$ 872 m.)
Exports of Goods and Services	8.9	7.8	14.9	6.6
Imports of Goods and Services	4.5	5.7	9.9	-1.0
Net National Income	3.2	8.1	5.7	6.8
Wages and Salaries	4.5	6.8	6.0	6.1
Corporation Profits Before Taxes ^{1/}	3.0	10.5	22.0	3.5
Rent, Interest, etc.	7.6	5.3	8.1	8.0
Farm Income - Accrued	-17.7	42.7	-27.1	39.3
Unincorporated Business Income - Non-Farm..	3.4	4.0	6.1	1.5
Personal Disposable Income	3.8	8.0	4.5	6.6
Net Personal Saving	(\$-30 m.)	(\$822 m.)	(\$152 m.)	(\$500 m.)

^{1/} Before deducting dividends paid to non-residents.

INDEX OF G.N.P. (EX. FARM) OVER 8 QUARTERS OF POST-WAR EXPANSIONS



BASED ON SEASONALLY ADJUSTED DATA

The relative overall strength of the present recovery rests mid-way between the exceptionally sharp rise in production in the 1954-56 period and the moderately paced increase in 1958-59. The underlying strength of the 1954-56 expansion in domestic demand was not fully reflected in Canadian production because of the high proportion which was met by imports of goods and services. In that respect, the present recovery differs from both the two previous expansions.

Exports of Canadian goods and services have been strong in 1961-62, and the rise of 16 per cent has out-paced that of the 1958-59 period. However, probably one of the most important developments in the expansion has been the apparent emergence of a slow-down in the rate of increase of imports. This has occurred over a period of considerable price rises reflecting exchange depreciation and in the latter half of 1962, temporary import surcharges. A larger proportion of demand is currently being met from Canadian production; the rise in imports was 6 per cent compared with 13 per cent in 1958-59 and 33 per cent in 1954-56.

Changes in Demand (Current Dollars) Over Three Post-War Expansions ^{1/}
(Seasonally Adjusted at Annual Rates)

	Per Cent Changes			Per Cent Contribution to GNE Changes ^{2/}		
	2Q. '54 to 1Q. '56	1Q. '58 to 4Q. '59	1Q. '61 to 4Q. '62	2Q. '54 to 1Q. '56	1Q. '58 to 4Q. '59	1Q. '61 to 4Q. '62
Gross National Expenditure	20.0	11.0	13.8	100.0	100.0	100.0
Personal Expenditure	13.7	10.5	9.4	44.6	61.9	44.8
Non-Durable Goods	(10.7)	(7.8)	(8.7)	(18.6)	(23.7)	(20.9)
Durable Goods	(19.7)	(7.9)	(18.5)	(7.7)	(5.4)	(9.4)
Services	(16.1)	(15.3)	(7.8)	(18.2)	(32.7)	(14.5)
Government Expenditure	14.6	10.3	9.7	13.3	17.2	13.7
New Residential Construction	36.0	5.9	12.7	8.5	2.7	3.6
New Non-Residential Construction	35.4	-8.5	1.8	11.9	-6.9	1.0
New Machinery and Equipment	19.4	5.2	10.2	7.9	3.6	5.2
Non-Farm Business Inventories	(\$1308m.)	(\$1008m.)	(\$172 m.)	26.6	28.4	3.4
Farm Inventories and GICC	(\$ 372m.)	(\$ 84m.)	(\$596 m.)	7.6	2.4	11.9
Exports of Goods and Services	20.7	11.7	16.1	21.6	20.9	23.4
Imports of Goods and Services	33.5	13.2	5.5	-38.2	-27.2	-9.2

^{1/} Troughs in general business activity 2Q. '54, 1Q. '58, and 1Q. '61.

^{2/} Columns will not add to 100.0 exactly as residual error of estimate is omitted.

Capital spending on housing and business plant and equipment has shown considerably more strength than in 1958-59, particularly non-residential construction. However, the demand for fixed capital is not exerting the same degree of expansionary pressure as in 1954-56. Demands on production for purposes of inventory accumulation were small in the current period compared with the two earlier periods, partly because of ample supplies, relative price stability and the fact that no major reduction in stocks took place during the prior business slow-down.

Over the seven quarters since the beginning of 1961 to the end of 1962 consumer and government spending on goods and services both moved ahead by about 10 per cent, although increased spending by consumers accounts for a much lower proportion of the increase in Gross National Expenditure in the current period than in the 1958-59 expansion.

Production and Employment

Real output for 1962 was higher by just over 6 per cent than the corresponding figure for 1961. If agriculture is excluded, this increase amounted to about 5 per cent. The 8 per cent gain in the goods-producing industries is reduced to 7 per cent in the same manner.

Manufacturing, with an 8 per cent gain was the largest single contributor to the expansion during 1962, accounting for approximately one-third of the total increase. The considerable advance (11 per cent) in the cyclically volatile durables component formed the basis for this growth, with particular strength occurring in the transportation equipment and the electrical apparatus and supplies groups. Iron and steel and non-metallic mineral products increased by 9 per cent each. Non-durable

manufacturing during 1962 continued to expand, showing a 5 per cent increase over 1961, with the largest gain of any major industry group in textile products (8 per cent), and the smallest (2 per cent) in the leather and clothing product groups.

Considerable gains were also made in mining and forestry, which increased by about 7 per cent each, while construction expanded by 2 per cent.

The service-producing industries showed a 4 per cent gain, about two-fifths of which was accounted for by a considerable increase in wholesale trade (8 per cent), and retail trade (4 per cent), which paralleled the rapid expansion in manufacturing output. The most significant development within retail trade was an 11 per cent increase in the motor vehicle dealer component. Oil and gas pipeline transport accounted for about half of the 4 per cent increase in transportation, as the growth in output of this industry was well above average. The only major decline (12 per cent) occurred in storage, largely as a result of declines in the volume of receipts and shipments at grain elevators during the first part of the year. Public administration and defence showed a smaller than average gain (2 per cent), while electric power and gas utilities increased by 6 per cent. The remaining service-producing industries continued their steady advance, increasing by approximately 4 per cent.

Employment by Industry ^{1/}
(Estimates in Thousands)

	Average Year 1961	Average Year 1962	Per Cent Change Men	Per Cent Change Women	Per Cent Change Total
Agriculture	674	653	-4.1	8.8	-3.1
Other Primary Industries	183	177	-2.8	2/	-3.3
Manufacturing	1,515	1,567	3.7	2.9	3.4
Construction	406	429	5.6	-	5.7
Transportation and Other Utilities ...	509	527	3.9	1.4	3.5
Trade	983	1,002	1.5	3.2	1.9
Finance, Insurance, and Real Estate ..	239	248	3.1	4.6	3.8
Government Service	382	390	2.1	3.3	2.1
Non-Government Service	1,160	1,225	7.8	4.0	5.6
Total Employed	6,049	6,217	2.5	3.5	2.8
Total Employed Ex. Agriculture ...	5,375	5,564	3.6	3.5	3.5

^{1/} Includes self-employed persons and unpaid family workers.

^{2/} Total number of women employed in Other Primary Industries is less than 10,000.

The market for labour improved in 1962. The total number of employed persons increased by nearly 3 per cent, and the non-agricultural component of this number increased by 3½ per cent. In contrast to the previous year, when the rate of rise in the employment of women substantially exceeded that of men, both men and women shared equally in the increase in 1962. Gains in employment occurred in all industries except agriculture and other primary industries, the largest increase being in construction and non-government service (community, business, personal, and recreational service). The average rate of unemployment in 1962 was 5.9 per cent of the labour force, compared to the rate of 7.2 per cent in 1961.

The changes in male, female and total employment by broad industry groups are shown in the accompanying table.

Value, Volume and Price

Prices rose appreciably more in 1962 than in the previous year. All the major components of demand showed price increases, ranging from 1.5 per cent in consumer expenditure to 3.7 per cent in government expenditure. Prices of imports rose 4.4 per cent, largely as a result of the depreciation of the Canadian dollar. This increase is not reflected in the overall implicit price index of Gross National Expenditure since imports are excluded by definition from Canada's Gross National Product.

In volume terms, all components with the exception of non-residential construction advanced from 1961 to 1962. Year-to-year changes in value, volume, and price are given in the accompanying table.

Percent Changes - Value, Volume, and Price

	<u>1960</u> <u>1959</u>			<u>1961</u> <u>1960</u>			<u>1962</u> <u>1961</u>		
	Value	Volume	Price ^{1/}	Value	Volume	Price ^{1/}	Value	Volume	Price ^{1/}
Personal Expenditure	4.1	3.0	1.1	4.1	3.2	0.9	5.2	3.7	1.5
Goods	2.9	2.5	0.4	3.5	3.2	0.2	5.6	4.6	1.0
Services	6.1	3.8	2.2	5.2	3.2	1.9	4.5	2.1	2.3
Government Expenditure	4.1	0.8	3.3	6.7	4.6	1.9	7.2	3.3	3.7
Business Gross Fixed									
Capital	-2.9	-5.0	2.2	-0.9	-1.8	0.9	4.8	2.2	2.5
New Residential Construc-									
tion	-16.8	-19.0	2.7	1.0	0.4	0.6	8.2	5.2	2.8
New Non-Residential Con-									
struction	-0.5	-2.8	2.4	4.1	3.7	0.4	-0.6	-2.5	2.0
New Machinery and Equip-									
ment	3.9	2.0	1.9	-6.7	-8.1	1.6	8.6	5.6	2.9
Exports of Goods and									
Services	4.9	4.1	0.7	8.9	7.5	1.3	7.8	4.4	3.2
Total Final Demand	3.1	1.6	1.5	4.5	3.4	1.0	5.9	3.5	2.3
Imports of Goods and									
Services	0.5	-0.5	1.0	4.5	1.1	3.3	5.7	1.3	4.4
Gross National Expenditure.	3.8	2.2	1.6	3.2	2.6	0.6	8.0	6.2	1.7

^{1/} Implicit Price Indexes.

In contrast to the year-to-year change, the following table shows that the value increase of 5.7 per cent from the fourth quarter 1960 to the fourth quarter 1961 was almost as large as the 6.9 per cent which occurred during the same time span ending in 1962. However, a major part of the price increase from the end of 1960 to the present occurred within 1962 and consequently, the volume of production showed a smaller gain during 1962 than 1961.

Percent Changes - Value, Volume, and Price

	<u>IV Q. 1961</u> <u>IV Q. 1960</u>			<u>IV Q. 1962</u> <u>IV Q. 1961</u>		
	Value	Volume	Price ^{1/}	Value	Volume	Price ^{1/}
Personal Expenditure	4.1	3.5	0.6	5.0	3.1	1.9
Government Expenditure	7.9	5.7	2.0	5.3	1.2	4.0
Business Gross Fixed Capital	2.5	1.5	1.0	4.0	0.9	3.0
Exports of Goods and Services	14.9	11.9	2.7	6.6	4.1	2.5
Imports of Goods and Services	9.9	5.0	4.7	-1.0	-3.6	2.7
Gross National Expenditure	5.7	5.4	0.3	6.9	4.2	2.6

^{1/} Implicit Price Indexes.

In the current period, prices increased by about one-half per cent from the third to the fourth quarter, about the same magnitude as the increase in the previous quarter.

Personal Expenditure

A strong upward movement from the fourth quarter of 1961 in a number of income components raised the level of personal disposable income $6\frac{1}{2}$ per cent by the final quarter of 1962. This increase allowed a strong expansion in consumer spending and also a higher level of personal net saving.

The expansion of 5 per cent in personal expenditure, which took place mainly in the first and final quarters of the year, was the strongest since the expansion in 1959 and was largely attributable to a particularly sharp increase in net purchases of new and used automobiles -- motor vehicle dealers' sales rose by 11 per cent. Purchasing of durable goods in total was higher by 8 per cent in 1962 in contrast to the lack of any strong movement in either of the years 1960 and 1961; prices were unchanged, indicating an equivalent rise in volume. Consumer spending on non-durable goods also rose but more in line with the annual increases which have been experienced in recent years. An increase of 5 per cent from 1961 to 1962 compares with 4 per cent in the two previous years. A part of this slightly larger increase reflects the first full-year's impact of the Ontario Sales Tax which was introduced in September 1961. Spending on food, tobacco and alcohol all contributed to the overall picture of strength as their rate of increase was significantly higher than between 1960 and 1961. Price increases of about 1 per cent associated with consumer goods in total were mainly a reflection of non-durable good price increases.

Personal Expenditure - Percent Change

	Year 1960 to Year 1961	Year 1961 to Year 1962
Total Non-Durables	4.0	5.1
Food	1.7	3.3
Clothing	1.6	3.7
Other	8.2	7.8
Total Durables	1.1	8.0
New and Used Automobiles	0.5	14.0
Other	1.6	2.8
Total Goods	3.5	5.6
Total Services	5.2	4.5
Total Personal Expenditure	4.1	5.2

There was a continuation of the slackening rate of increase in personal expenditure on services which has been apparent in recent years -- expenditures rose by $4\frac{1}{2}$ per cent. In part, this reflected significant movements in personal spending of non-residents in Canada and of Canadians travelling abroad. Abstracting this influence, outlays for services increased by 6 per cent. The increases were general, although a diminished rate of growth in spending on shelter was noticeable as increases in rental rates became less pronounced, a tendency which has become apparent since 1960.

Business Gross Fixed Capital Formation

Capital expenditure in 1962 amounted to \$7.0 billion, nearly 5 per cent higher than in the previous year. Roughly similar rates of increase, over 8 per cent, occurred in outlays for housing and for machinery and equipment; expenditure on non-residential construction showed little change. Total capital outlays anticipated by business for the year 1963, as published in "Private and Public Investment in Canada - Outlook, 1963" are $4\frac{1}{2}$ per cent higher than those realized in 1962. However, the strength this year is expected in outlays for non-residential construction and to a lesser extent in outlays for machinery and equipment; expenditure for housing is expected to be somewhat lower than in 1962.

The rise in fixed capital formation in 1962, mainly a result of the strength in demand for producers' durable equipment, occurred in the first three quarters of the year. This strength was centred in the primary metal manufacturing industries, mining and agricultural sectors of the economy, the latter probably reflecting to some extent spending from the higher farm incomes received during the year. Although there was little change from 1961 to 1962 in the value of construction of non-residential buildings and works, there were offsetting movements within the year. Expansion took place in spending for plant and equipment by manufacturers; the utilities spending programme appeared on balance slightly lower, with increased spending by electric power and telephone utilities more than offset by completion of a large-scale pipeline construction programme. Offsets also occurred between higher outlays by the agricultural and fishing industries and lower mining construction spending.

The rise in housing expenditure in 1962 reflects the increase not only of a higher number of housing starts, but a larger carry-over of houses under construction at the beginning of 1962 than in the previous year. Starts rose from 125,577 in 1961 to 130,095 in 1962, approximately 4 per cent, while completions were higher by 9½ per cent, increasing from 115,608 in 1961 to 126,682 in 1962. The increase in starts of rental dwellings more than offset a decline in starts of dwellings for home-ownership, and partly associated with this trend was an increase in conventional mortgage lending and a shift away from financing under the National Housing Act.

Although expenditure on housing of \$1,577 million in 1962 showed a sharp increase of more than 8 per cent above 1961 and starts were relatively stable during the year, there was some evidence of weakening in the final quarter of the year; however, dwelling starts in centres of population of 5,000 or more were stronger again in the opening months of 1963.

Investment in Non-farm Business Inventories

Investment in business inventories played only a small part in the expansion of Gross National Product in 1962. For the year as a whole the addition to stocks amounted to \$375 million, although in the third quarter of the year stock-building at an annual rate of \$800 million was very important.

Non-farm Business Inventories (millions of dollars)

Industry	1958	1959	1960	1961	Quarters 1962				1962
					(Seasonally Adjusted at Annual Rates)				
					(1)	(2)	(3)	(4)	
Manufacturing	-149	151	104	81	128	-12	396	156	167
Wholesale	-44	123	18	87	-48	-96	72	132	15
Retail	10	123	192	111	-40	232	388	-16	141
Other	-14	24	-39	-3	160	204	-56	-100	52
Totals ...	-197	421	275	276	200	328	800	172	375

The largest build-up of stocks occurred in manufacturing industries, with widespread accumulation in both durable and non-durable lines. The ratio of stocks to shipments throughout the year remained below the average of the previous year.

The accumulation of stocks in wholesale trade was virtually negligible, the liquidation in the first half of the year being largely offset by accumulation in the second.

There was a considerable accumulation of stocks in the hands of retail dealers. Most of this accumulation was in the hands of automotive dealers, where sales were sharply higher and stocks had been drawn down slightly in the previous year.

Exports and Imports of Goods and Services

Some of the most notable developments of the year occurred in the field of foreign trade where both exports and imports of goods and services rose to record levels. Exports amounted to \$8.2 billion, close to 8 per cent higher than in 1961, the rate of increase for goods being somewhat higher than for services. At the same time, imports of goods and services reached a value of \$9.0 billion,

nearly 6 per cent above the level of 1961; all the increase was in the merchandise part of the account. The result was that the deficit on international current account fell from about \$0.9 billion to about \$0.8 billion, all of the improvement occurring in the non-merchandise items.

The pattern of trade in 1962 was affected, among other things, by the stabilization of the Canadian dollar in May at 92½ cents in terms of United States currency. Furthermore, the foreign exchange crisis in June 1962 culminated in government action to relieve pressure on the Canadian dollar, to bring about a greater stabilization in Canada's international transactions, and to strengthen the exchange reserves. The net effect of these factors in terms of Canadian production was to contribute to an increase in exports of Canadian goods and services and to lower the portion of domestic demand being met from foreign sources. The deficit with non-residents on current account, on a year-to-year basis, showed a fairly small change but within the year it declined progressively from just over \$1.0 billion in the first quarter to less than half that in the final quarter, although some of this improvement may have been due to a decline in imports from an irregularly high third quarter level.

The rise in exports of goods occurred mainly in the second quarter of the year, but the high level was sustained throughout the remainder of the year. It is attributable in part to the economic expansion in the United States (the increase in exports to the United States on a year-to-year basis was greater than the total increase in exports), in part to the effect of changes in the exchange rate, and in part to aggressive export sales promotion by both business and government. Although newsprint and wheat remained the two principal commodity exports, the level of exports for both of these was lower than in 1961. The major gains were in sales abroad of iron ore, crude petroleum and natural gas. Of less importance in dollar terms, but items in which very substantial advances were recorded, were non-farm machinery, aircraft and parts, aluminum and lumber and products. Almost three-quarters of the increase in exports was attributable to the six commodity groups noted above.

Exports and Imports of Merchandise and Services
(Quarters Seasonally Adjusted at Annual Rates)

							Percent Change	Percent Change
	Year 1961	1Q	2Q	3Q	4Q	Year 1962	3Q to 4Q	Year '62 Year '61
<u>Exports:</u>								
Merchandise	5,889	6,152	6,404	6,376	6,524	6,364	2.3	8.1
Services (including interest & dividend receipts) ..	1,742	1,788	1,868	1,872	1,912	1,860	2.1	6.8
Interest and dividend receipts	(209)	(192)	(212)	(220)	(220)	(211)	n.c.	1.0
Total	7,631	7,940	8,272	8,248	8,436	8,224	2.3	7.8
<u>Imports:</u>								
Merchandise	5,716	6,120	6,172	6,424	6,120	6,209	-4.7	8.6
Services (including interest & dividend payments) ..	2,826	2,852	3,004	2,720	2,720	2,824	n.c.	-0.1
Interest and dividend payments	(770)	(760)	(848)	(728)	(788)	(781)	8.2	1.4
Total	8,542	8,972	9,176	9,144	8,840	9,033	-3.3	5.7

Receipts for services also rose sharply between the first and second quarter and then remained at the new high level. This increase was primarily due to the increased travel expenditures of foreigners, encouraged in part by the more favourable rate of exchange, and to an increase in receipts of interest, and freight and shipping services resulting from the increased volume of merchandise exports, such as iron ore, petroleum and natural gas.

Imports of goods rose through the first three quarters of the year, in spite of an unfavourable exchange rate, which raised the price of imports to Canadians, and in spite of the imposition of an import surcharge on certain classes of goods at mid-year, which had the same effect. However, in the final quarter of the year imports fell off sharply, reflecting in part the earlier changes, including the unusually high level of the previous quarter. Even with this decline at the year-end, imports of goods for the year were the highest on record, although some of the increase was, as in exports, due to the change in the exchange rate. Although details of imports for the full year are not as yet available, the figures for the first three quarters of the year indicate a particularly sharp pick-up in non-farm machinery, electrical apparatus, automobiles and parts, all of which are consistent with the strong demand, noted earlier, for producers' durables and automobiles. However, increases in the level of imports seem general and occur in almost all classes of goods on a year-to-year basis. About 80 per cent of the annual increase in merchandise imports arose from increased purchases from the United States.

Payments for services rose to a peak in the second quarter of 1962, reflecting accelerated transfer of interest and dividends on non-resident investment, larger payments for business services and the continued high level of Canadians' travel expenditures abroad; they fell back in the third quarter and remained stable in the latter part of the year. The reductions were largely a result of lower travel expenditures, a reduced rate of payments of dividends, and a decline in miscellaneous expenditures.

Domestic Exports
(Percent Change)

Leading Commodities	<u>1Q '62</u> <u>1Q '61</u>	<u>2Q '62</u> <u>2Q '61</u>	<u>3Q '62</u> <u>3Q '61</u>	<u>4Q '62</u> <u>4Q '61</u>	<u>12 Mos. '62</u> <u>12 Mos. '61</u>
Newsprint paper	-2.4	-0.7	-4.9	3.5	-1.1
Wheat	13.9	2.4	-36.2	-5.5	-9.1
Lumber and timber	12.4	13.9	12.6	8.1	11.8
Wood pulp	11.6	7.8	4.4	3.3	6.6
Uranium ore	-6.4	-8.1	-18.6	-20.0	-13.9
Aluminum and products	0.9	25.6	23.8	15.2	16.8
Nickel	6.3	6.2	0.9	-34.2	-7.4
Copper and products	-15.8	20.1	12.0	3.7	4.3
Petroleum, crude	104.7	65.1	29.1	32.6	52.6
Iron ore	80.0	137.5	41.2	37.4	62.3
Total Domestic Exports	10.1	14.5	1.7	5.7	7.7
<u>Leading Countries</u>					
United States	25.6	23.0	11.0	8.1	16.1
United Kingdom	-12.4	13.1	-1.0	1.0	n.c.
European Common Market Countries	-20.0	4.7	-17.5	20.3	-2.3
Japan	5.1	-5.3	-18.8	-6.2	-7.3
Other	1.6	-0.3	-11.1	-1.8	-3.3

The Government Sector

Expenditure on goods and services of all levels of government combined rose by 7 per cent from 1961 to 1962, with divergent movements concealed in the total figures. Purchases by provincial and municipal governments rose by over 11 per cent reflecting the increased building of vocational schools under the federal-provincial cost-sharing plan; this is in contrast to the 1 per cent increase at the federal level, where the 4 per cent expansion of defence outlays was almost offset by the fall in non-defence expenditures. Within 1962, total government purchases rose sharply from the first to the second quarter but declined gradually thereafter, reflecting the contraction in the spending by the federal government.

Total expenditures of federal, provincial, and municipal governments combined, excluding inter-governmental transfers, advanced by over 7 per cent from 1961 to 1962 with all major components of expenditure contributing to the increase.

Transfer payments to persons from all governments advanced by more than 7 per cent. At the federal level, primarily because of the rate increase in monthly payments from \$55 to \$65 in February 1962, the outpayments from the Old Age Security Fund rose by nearly 20 per cent; this was largely offset by a decline of more than 17 per cent in unemployment insurance benefits paid, reflecting the improved employment situation. Provincial transfers to hospitals under the Hospital Insurance and Diagnostic Services Act were higher by almost 10 per cent.

Subsidies paid by the federal government showed an increase of nearly 18 per cent, principally because of the loss incurred by the Agricultural Commodities Stabilization Board.

At the combined level, all revenue components showed increases in 1962 over the previous year, but there were offsetting changes in personal direct taxes at the federal and provincial levels of government because of the introduction of the new federal-provincial tax arrangements. All provinces levied a personal income tax in 1962; formerly the federal government had made payments to most provinces under the federal-provincial tax agreements and these payments were included in federal transfers to provincial governments. Nevertheless, federal transfer payments to provincial-municipal governments rose slightly between the two years, mainly because of considerably higher contributions to provinces under the Hospital Insurance and Diagnostic Services Act, and on behalf of vocational training. The federal transfer payments to the provinces under the former federal-provincial taxation agreements did not lapse until the second quarter of 1962 while the new direct provincial tax began in the first quarter of 1962, resulting in an overlap in the first quarter. As a consequence, federal expenditure and provincial-municipal governments' revenue were irregularly high in that quarter, thus affecting the 1962 annual totals.

Federal indirect tax revenue was up close to 10 per cent, reflecting in part the imposition of the temporary surcharges announced in June, 1962, and the rise in the value of imports between the two years. There was an increase in revenue from indirect taxes of more than 13 per cent at the provincial-municipal level, including increases in receipts from provincial sales tax of over 60 per cent (mainly because of the introduction of a sales tax in Ontario in September, 1961), from provincial gasoline taxes of over 7 per cent, and from municipal real property taxes of about 8 per cent.

Although there was a considerable rise in total expenditures of all governments combined, the increase in revenues was even larger with the consequent effect that the deficit on a national accounts basis declined significantly from \$905 million in 1961 to \$770 million in 1962. There was a substantial drop of more than one-third in the deficit at the provincial-municipal level but an increase of almost 5 per cent in the federal deficit. These changes, however, reflect to some extent the effects of the transition from the previous tax-sharing arrangements to the new procedure for apportioning taxes between the federal and provincial governments.

Government Expenditure and Revenue

	1961	1962	Per Cent Change
	(\$ millions)		
Government Expenditure:			
Goods and services	7,205	7,721	7.2
Transfer payments to persons	3,408	3,652	7.2
Interest on public debt	1,164	1,274	9.5
Subsidies	254	291	14.6
Totals ^{1/}	12,031	12,938	7.5
Government Revenue:			
Direct taxes - persons	2,511	2,714	8.1
Direct taxes - corporations	1,612	1,750	8.6
Withholding taxes	116	125	7.8
Indirect taxes	4,970	5,552	11.7
Investment income	1,130	1,211	7.2
Employer-Employee contributions	787	816	3.7
Totals ^{1/}	11,126	12,168	9.4
Deficit	905	770	-14.9

^{1/} Excludes inter-governmental transfers.

Income Flows

Labour Income

In 1962 labour income reached an estimated total of \$20.4 billion, nearly 7 per cent higher than in the previous year. An increase in labour inputs as well as in labour prices contributed to the rise. Labour income rose most rapidly in the early part of the year.

As in the recent past, the largest gains in labour income among the major industries occurred in the non-government service group (close to 11 per cent). The next highest rate of change was in construction (more than 8 per cent).

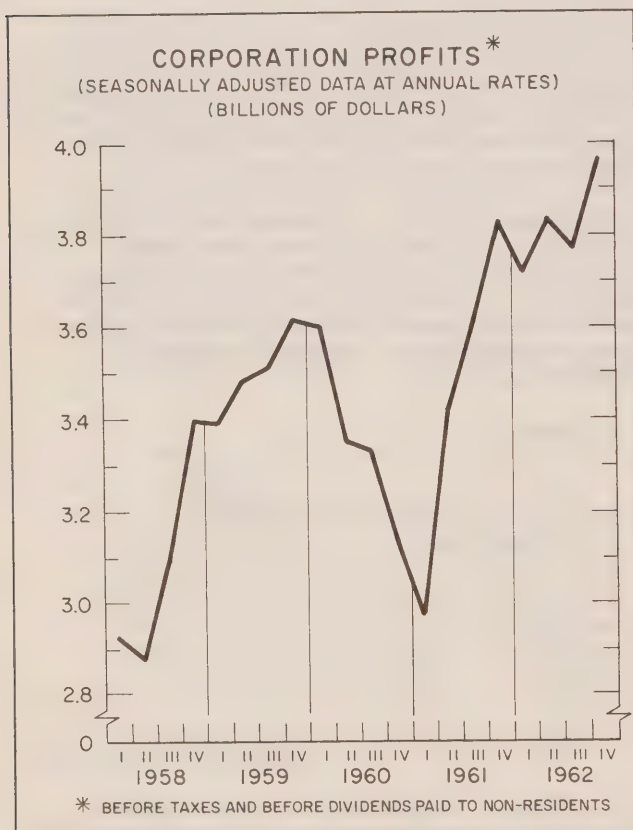
In 1962 more than 42 per cent of wages and salaries originated in goods-producing industries and the remainder in service-producing industries in comparison with the beginning of the post-war period when the contribution of the two segments to the total was about equal. This changed relationship reflects the tendency in the post-war period for wages and salaries to rise more rapidly in the service-producing than in the goods-producing industries.

Investment Income

Corporation profits (before taxes and before dividends paid to non-residents) continued to remain at record levels in 1962. During the first three quarters of the year, profits tended to level off at the peak attained in 1961, but showed a gain in the fourth quarter. This pattern of quarter-to-quarter movement differed considerably from that of 1961 when a steady rise from the trough of the first quarter took place. For the year as a whole, however, they increased by 10½ per cent to \$3.8 billion. All industries showed strength except wholesale trade, and finance, insurance, and real estate. Manufacturing, particularly metal industries (including transportation equipment), mines, quarries and oil wells, and retail trade showed notable gains.

Rent, interest, and miscellaneous investment income rose by about 5 per cent in 1962. All components showed gains except net residential non-farm rents (paid and imputed), which were estimated to have fallen as the rate of increase in gross rents slowed down while operating expenses indicated no such change. The trading profits of government business enterprises showed a substantial increase of about 9 per cent in the year.

Interest, dividends, and net rental income of persons was up about 7 per cent, mainly as a result of a rise in bond interest and in dividends received.



Corporation Profits - Selected Industries
(Percent Change)

	1961 to 1962	3Q 1962 to 4Q 1962
		(Seasonally Adjusted)
Mines, quarries and oil wells	13.6	6.4
Manufacturing Industries:	17.2	2.9
Wood industries	23.2	-28.0
Paper and allied industries	9.3	-16.4
Metal industries (including transpor- tation equipment)	32.2	7.1
Electrical products industries	58.9	33.3
Non-metallic mineral products indus- tries	27.1	22.7
Petroleum and coal products industries..	3.0	15.6
Transportation, storage and communication.	6.5	6.4
Wholesale trade	-5.2	21.8
Retail trade	17.8	31.5
Finance, insurance and real estate	-3.6	1.6
Total All Industries	10.5	5.2

Accrued Net Income of Farm Operators From Farm Production

Accrued net income of farm operators reached a level of \$1.4 billion in 1962, over 40 per cent higher than the estimate for 1961, and the highest level attained since the mid-fifties. Although cash receipts from the sale of farm products were at an all-time high, the largest part of the increase in accrued net income can be attributed to the greatly increased production of grains in Western Canada, resulting in a build-up of inventories on farms. The 1962 estimate of the value of crop production is \$1.2 billion, about \$550 million higher than the 1961 estimate.

Farm cash receipts, the largest component of farm net income, increased over 4 per cent in 1962. Major items contributing to the increase were larger participation payments by the Canadian Wheat Board and higher returns from the sale of wheat, oats, cattle and calves, poultry, and dairy products.

Farm operating expenses showed a further increase in 1962, slightly dampening the increase in gross income. Contributing to the increase were substantially higher outlays for farm rents, livestock feeds, and the operation of farm machinery, including repairs.

	1961	1962	Change 1962 1961	Per Cent Change 1962 1961
		(\$ millions)		
Farm Cash Income	2,954	3,081	127	4.3
Income-In-Kind	343	340	-3	-0.9
Farm Inventory Change	-288	149	437	-
Gross Income..	3,009	3,570	561	18.6
Deduct:				
Farm Operating Expenses	1,699	1,803	104	6.1
Depreciation	308	312	4	1.3
Add:				
Adjustment on Grain Transactions ^{1/} ..	26	-11	-37	-
Other Adjustments	-53	-53	-	-
Accrued Net Income of Farm Operators..	975	1,391	416	42.7

^{1/} This adjustment takes account of the undistributed profits of the Canadian Wheat Board.

Net Income of Unincorporated Business Non-Farm

In a comparison with the year 1961, net income of non-farm unincorporated business increased 4 per cent in 1962 to a level of \$2.4 billion. Net income in most industry groups showed some increase with the greatest increase occurring in the retail trade, construction, community service and fishing industries. Slight declines were registered in the transportation and finance industries.

THE FOURTH QUARTER

The expansion in economic activity, which began early in 1961, continued in the fourth quarter of 1962, when Gross National Product reached a seasonally adjusted annual rate of \$41,252 million, a little more than 1 per cent higher than in the previous quarter. About half of the rise in Gross National Product reflects higher prices and the remainder an advance in the volume of production. The increase in real Gross National Product was the smallest recorded since the first quarter of 1961.

An important contribution to the rise in economic activity came from the near 2 per cent increase in consumer purchases, with the emphasis falling heavily on durable goods and on motor cars in particular. International transactions had a favourable effect on domestic production and on the deficit on international current account; receipts rose significantly from an already high level and payments were appreciably lower, with virtually all the improvement in the merchandise account.

Business outlays for capital purposes were somewhat higher than in the third quarter and above the rate for the year as a whole. There was a small decline in government expenditure for goods and services, reflecting a drop at the federal level, partially offset by higher expenditures at junior levels of government; the flows of income to the governments from the private sector increased moderately and the expenditures rose also but less sharply and thus combined to bring about an appreciable drop in the deficit. However, the building up of stocks, which had added a fairly important increment to the demands on current production in the third quarter, fell sharply in the fourth quarter. Thus the stimulus to higher production came largely from final demand.

The important developments on the income side of the accounts in the fourth quarter of the year were the diminishing rate of increase in labour income and a further increase in corporate profits, which were about 33 per cent higher than in their cyclical trough in the first quarter of 1961.

Production and Employment

Seasonally adjusted, real output for the fourth quarter of 1962 showed a small increase over the previous quarter. With the exception of the fourth quarter of 1961, the increase was the smallest gain since production began to expand following the 1960-61 downturn. The average increase for the first four quarters of the expansion was 2 per cent, while that for the subsequent three quarters amounted to slightly less than 1 per cent. Thus the pattern of comparatively small increases, first evident during the second quarter, persisted to the end of the year. Real output less agriculture was up slightly more than the total, with the goods-producing industries contributing just over one-half of this increase.

Within the goods-producing industries, manufacturing, with an increase of 1 per cent, constituted the major single expansionary force, accounting for almost all the increase in total goods production. The durable industry component of manufacturing, reflecting substantial increases in the output of transportation equipment and electrical apparatus and supplies, contributed most of this advance. In addition, there were marginal advances in mining and construction and a 2 per cent increase in forestry.

Among the service-producing industries, the largest gain (2 per cent) occurred in retail trade, which accounted for almost one-half of the total increase in service output. Wholesale trade showed only a fractional decline. The transportation, communication and storage group showed a 1 per cent increase in output in the fourth quarter in spite of a small decline in the transportation industry. Finance, insurance and real estate, and the group of industries consisting of community, recreation, business and personal service continued to advance, showing gains of 1 per cent each, while public administration and defence declined by 2 per cent, and electric power and gas utilities by about 1 per cent.

The fractional gain in production between the third and fourth quarters of the year was accompanied by a virtually unchanged level of employment in total. However, non-farm employment was up nearly 1 per cent. At 6.0 per cent of the labour force, the seasonally adjusted rate of unemployment was fractionally lower than in the preceding quarter.

COMPONENTS OF EXPENDITURE

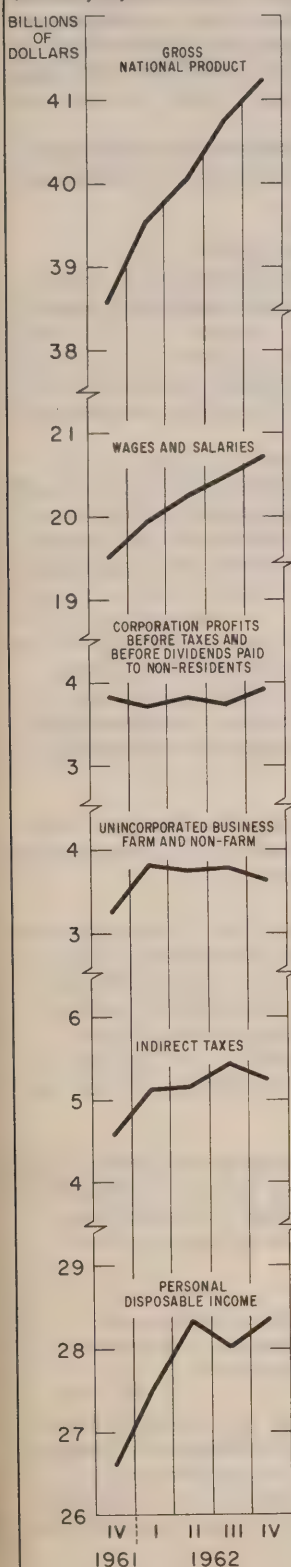
Personal expenditure increased nearly 2 per cent in the fourth quarter, in contrast to the stability evident in the two previous quarters.

The principal source of strength was the $9\frac{1}{2}$ per cent increase in durable goods. Net purchases of new and used cars, recovering from the dip registered in the previous quarter, rose $16\frac{1}{2}$ per

SELECTED COMPONENTS OF INCOME

4Q.1961 TO 4Q.1962

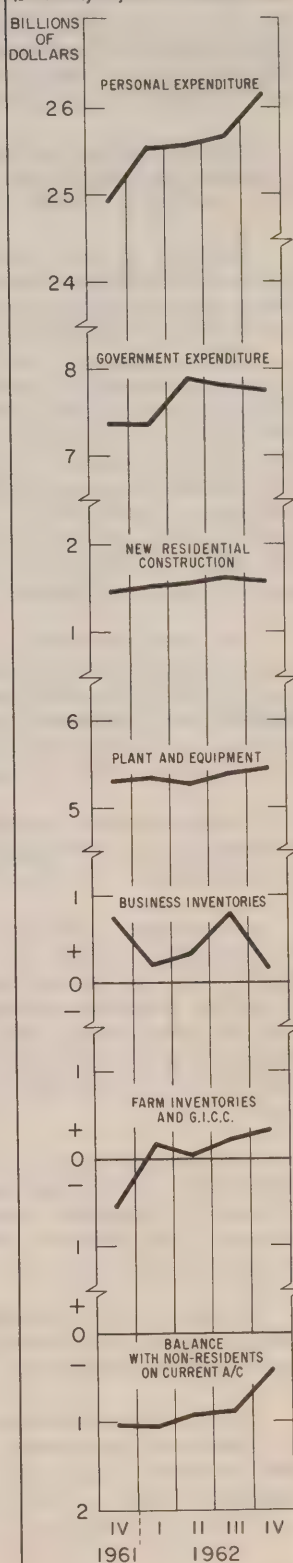
(Seasonally Adjusted at Annual Rates)



SELECTED COMPONENTS OF G.N.E.

4Q.1961 TO 4Q.1962

(Seasonally Adjusted at Annual Rates)



cent. Expenditure on appliances and radios also increased sharply, by 9 per cent, while outlays for other durables showed lesser increases. Expenditure for both non-durable goods and services rose by 1 per cent.

There was little change in the rate at which outlays on fixed capital formation were being made in the final quarter of 1962. An increase of one-half of 1 per cent from the third quarter raised the annual rate to \$7.1 billion, after adjustment for seasonal influences. This figure was just over 1 per cent higher than the expenditure for the year as a whole, and about 3 per cent below the anticipated expenditure for the year 1963.

Stability in the fourth quarter reflected a levelling off in purchases of machinery and equipment, which had risen sharply in the earlier part of the year, and an increase in non-residential construction partially offset by a lower level of spending on housing.

Outlays on new residential construction declined by $1\frac{1}{2}$ per cent in the fourth quarter, to a seasonally adjusted annual rate of \$1,592 million. The annual rate at which new dwelling units were being started fell by over 3 per cent to 126,100 units, while the rate of completions rose by $4\frac{1}{2}$ per cent to 132,000 units.

Non-residential construction rose by $2\frac{1}{2}$ per cent in the fourth quarter to an annual rate of \$2.7 billion, mainly as a result of increased outlays on buildings and structures, a rate which was below the level for the year as a whole.

Outlays on new machinery and equipment, after substantial increases in the first three quarters of the year, levelled off at a seasonally adjusted annual rate of \$2.8 billion. This stability is consistent with the overall figures of imports of goods which recorded a decline in the final quarter of the year. Estimates of imports of machinery are tentative for the fourth quarter since no commodity detail was available at the time the estimates were prepared.

The changes taking place in both imports and exports during the quarter had a favourable effect on Canadian production. The annual rate of exports of merchandise and services combined increased by over 2 per cent, after allowances for seasonal variation, to reach a total of \$8.4 billion, while imports fell by over 3 per cent, to \$8.8 billion. The net effect of these changes was to reduce the deficit on current international account to just over \$400 million, the smallest deficit since 1955, when seasonal factors are taken into account.

This reduction in the deficit reflected an improvement in the balance on merchandise trade. With a slackening in merchandise imports and a resumption in the rise in exports, the surplus on merchandise account rose to an annual rate of \$4.04 million, after allowances for seasonal factors.

Merchandise exports rose by just over 2 per cent to an annual rate of \$6.5 billion. This gain was attributable largely to increased sales abroad of Canadian agricultural and animal production. Increases in the quarter were general, with the exception of a sharp decline in exports of non-ferrous minerals; aluminum, nickel, and copper all appeared to experience some decline in the fourth quarter. The contribution by individual commodities to the 5 per cent decline in merchandise imports, to an annual rate of \$6.1 billion cannot be assessed due to the lack of detailed information. It is not possible to assess the impact of this decline on individual commodities as this information is not yet available.

The deficit balance on non-merchandise transactions showed little change, declining to \$808 million, seasonally adjusted at annual rates, from \$848 million in the third quarter. This, however, represents a sizeable reduction from the deficit in the first half of the year. The improvement resulted from the fact that payments for services remained unchanged, at an annual rate of \$2,720 million, after seasonal adjustment, while receipts rose 2 per cent to \$1,912 million.

The stability in payments concealed a fairly sharp reduction in Canadian travel expenditures abroad which was offset by an increase in the outflow of interest and dividend payments. The increases in receipts were not large for any particular service but were fairly widespread.

Seasonally adjusted at annual rates, there was a decline of about 6 per cent in the deficit for all levels of government between the third and fourth quarters of 1962. This drop reflected a reduction of about 5 per cent at the federal level and a somewhat larger reduction at the provincial-municipal level. Federal revenues advanced by $3\frac{1}{2}$ per cent while expenditures increased at a slightly lower rate. Likewise, at the provincial-municipal level, revenue rose somewhat more than expenditure.

Little change occurred in the components of revenue and expenditure between the third and the fourth quarters. Although federal revenue from indirect taxes was unchanged, there was a decline of more than 11 per cent in receipts from customs import duties which was offset by increases in other sources of indirect taxes. A decrease of 3 per cent in federal expenditure on goods and services more than offset a small increase at the provincial-municipal level. There was a small advance in transfer payments to persons; a small increase in federal outlays reflected a substantial rise in unemployment insurance benefits, while at the provincial-municipal level there were larger transfers to hospitals and greater relief payments.

The increase of more than 75 per cent in subsidies between the third and fourth quarters of 1962 took place at the federal level, reflecting mainly substantial interim payments to railway companies.

Income Flows

Labour income in the fourth quarter of 1962 was at a seasonally adjusted annual rate of \$20.7 billion, slightly more than 1 per cent higher than in the preceding quarter. The rate of increase in labour income tended to decline during the course of the year. Most of the third to fourth quarter movement is probably attributable to higher labour prices. As in the past quarter, the rate of increase in labour income was higher in the service-producing industries than in the goods-producing industries.

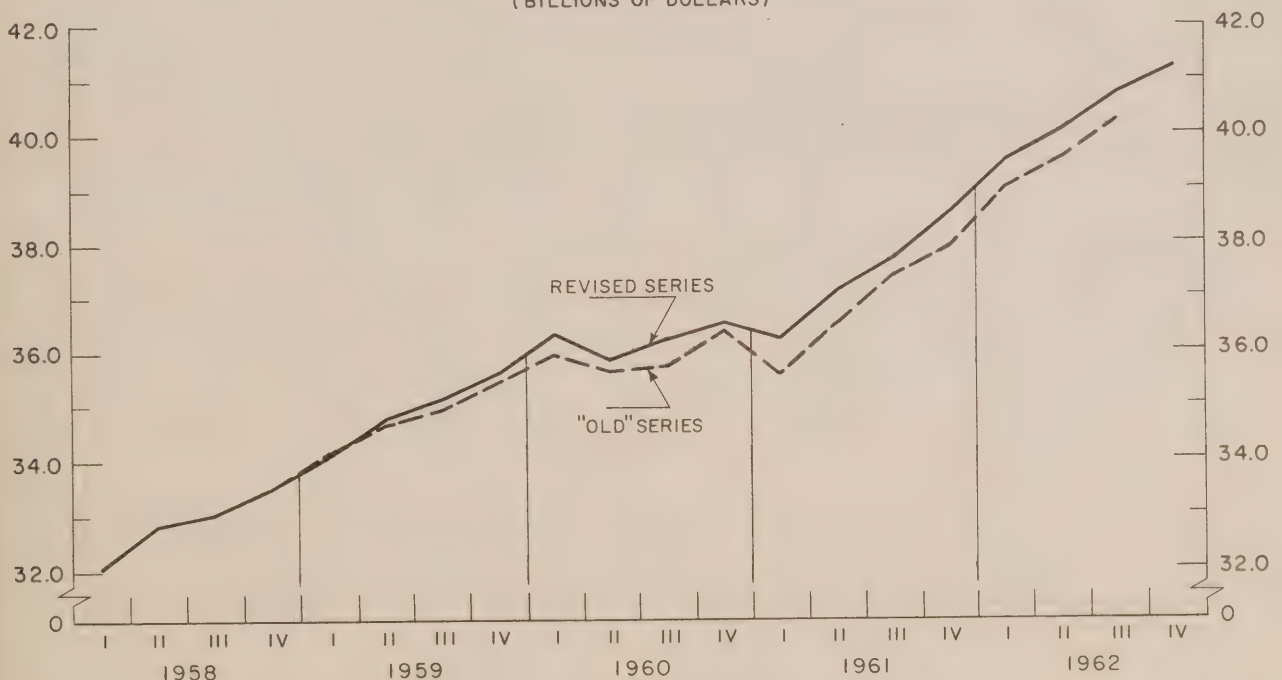
Corporation profits in the fourth quarter of 1962 rose by about 5 per cent to a seasonally adjusted annual rate of \$4.0 billion or about 33 per cent over the cyclical trough in the first quarter of 1961. Manufacturing, mines, quarries and oil wells, wholesale and retail trade largely contributed to the increase in the fourth quarter. Within manufacturing, however, there were some offsetting movements; higher profits were realized in metal industries (including transportation equipment), electrical products, non-metallic mineral products, petroleum and coal products, and lower profits in wood and paper industries.

In the fourth quarter, rent, interest and miscellaneous investment income increased by close to 8 per cent to an annual rate of \$2.9 billion on a seasonally adjusted basis. This increase was largely attributable to a rise in the trading profits of government business enterprises, a major part of which was accounted for by an interim subsidy paid to the Canadian National Railway.

GROSS NATIONAL PRODUCT AT MARKET PRICES

(Seasonally Adjusted at Annual Rates)

(BILLIONS OF DOLLARS)



TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1958-62
(millions of dollars)

No.		1958					1959				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Wages, salaries, and supplementary labour income	3,903	4,146	4,274	4,198	16,521	4,118	4,362	4,495	4,484	17,459
2.	Military pay and allowances	117	126	125	123	491	118	129	127	122	496
3.	Corporation profits before taxes	602	803	826	844	3,075	697	959	929	919	3,504
4.	Deduct: Dividends paid to non-residents(1)	-97	-96	-120	-157	-470	-106	-105	-116	-174	-501
5.	Rent, interest, and miscellaneous investment income	476	488	559	581	2,104	560	548	584	623	2,315
6.	Accrued net income of farm operators from farm production(2) ..	23	162	884	131	1,200	18	122	912	69	1,121
7.	Net income of non-farm unincorporated business(3)	435	532	547	611	2,125	459	568	556	627	2,210
8.	Inventory valuation adjustment(4)	-35	26	9	-35	-35	-28	-53	-16	-25	-122
9.	NET NATIONAL INCOME AT FACTOR COST ...	5,424	6,187	7,104	6,296	25,011	5,836	6,530	7,471	6,645	26,482
10.	Indirect taxes less subsidies	944	975	971	992	3,882	1,001	1,074	1,098	1,086	4,259
11.	Capital consumption allowances and miscellaneous valuation adjustments	940	986	977	996	3,899	963	1,052	1,087	1,102	4,204
12.	Residual error of estimate	-123	-44	118	151	102	-91	-105	56	110	-30
13.	GROSS NATIONAL PRODUCT AT MARKET PRICES	7,185	8,104	9,170	8,435	32,894	7,709	8,551	9,712	8,943	34,915
14.	(Gross national product at market prices excluding accrued net income of farm operators)	(7,162)	(7,942)	(8,286)	(8,304)	(31,694)	(7,691)	(8,429)	(8,800)	(8,874)	(33,794)

(1) Includes the withholding tax applicable to this item.

(2) Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

TABLE 2. Gross National Expenditure, by Quarters, 1958-62
(millions of dollars)

No.		1958					1959				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Personal expenditure on consumer goods and services	4,869	5,275	5,235	5,866	21,245	5,218	5,617	5,556	6,200	22,591
2.	Government expenditure on goods and services (1, 2)	1,363	1,441	1,774	1,602	6,180	1,475	1,533	1,819	1,663	6,490
3.	Business gross fixed capital formation(3)	1,410	1,883	1,913	1,769	6,975	1,329	1,875	1,927	1,763	6,894
4.	New residential construction	301	458	494	510	1,763	343	449	466	476	1,734
5.	New non-residential construction ...	532	718	852	709	2,811	451	651	794	693	2,589
6.	New machinery and equipment	577	707	567	550	2,401	535	775	667	594	2,571
7.	Value of physical change in inventories(4)	-300	-216	560	-366	-322	11	-134	774	-294	357
8.	Non-farm business inventories	-10	-117	-67	-3	-197	285	-30	101	65	421
9.	Farm inventories and grain in commercial channels	-290	-99	627	-363	-125	-274	-104	673	-359	-64
10.	Exports of goods and services	1,385	1,623	1,658	1,674	6,340	1,346	1,731	1,783	1,823	6,683
11.	Deduct: Imports of goods and services	-1,666	-1,945	-1,852	-1,960	-7,423	-1,761	-2,177	-2,091	-2,102	-8,131
12.	Residual error of estimate	124	43	-118	-150	-101	91	106	-56	-110	31
13.	GROSS NATIONAL EXPENDITURE AT MARKET PRICES	7,185	8,104	9,170	8,435	32,894	7,709	8,551	9,712	8,943	34,915

(1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

(2) For details of defence expenditures see line 3 Table 6.

(3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

TABLE 1. National Income and Gross National Product, by Quarters, 1958-62
(millions of dollars)

1960					1961					1962					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
4,343	4,565	4,718	4,625	18,251	4,468	4,752	4,952	4,896	19,068	4,792	5,095	5,272	5,200	20,359	1
119	129	127	134	509	129	140	137	144	550	147	152	145	142	586	2
756	913	886	804	3,359	615	922	947	976	3,460	771	1,047	985	1,021	3,824	3
-101	-105	-114	-134	-454	-164	-121	-129	-173	-587	-128	-148	-116	-178	-570	4
586	603	617	636	2,442	635	625	691	677	2,628	671	676	694	727	2,768	5
31	85	978	90	1,184	77	140	663	95	975	29	123	1,188	51	1,391	6
446	555	522	690	2,213	444	548	573	724	2,289	486	585	573	736	2,380	7
-44	-47	10	1	-80	14	-13	-36	-32	-67	-27	-44	-49	-12	-132	8
6,136	6,698	7,744	6,846	27,424	6,218	6,993	7,798	7,307	28,316	6,741	7,486	8,692	7,687	30,606	9
1,087	1,140	1,109	1,134	4,470	1,122	1,180	1,158	1,256	4,716	1,254	1,314	1,368	1,325	5,261	10
1,078	1,139	1,128	1,114	4,459	1,079	1,137	1,147	1,176	4,539	1,119	1,197	1,196	1,243	4,755	11
-52	-206	73	86	-99	-83	-156	42	47	-150	-155	-227	82	79	-221	12
8,249	8,771	10,054	9,180	36,254	8,336	9,154	10,145	9,786	37,421	8,959	9,770	11,338	10,334	40,401	13
(8,218)	(8,686)	(9,076)	(9,090)	(35,070)	(8,259)	(9,014)	(9,482)	(9,691)	(36,446)	(8,930)	(9,647)	(10,150)	(10,283)	(39,010)	14

(3) Includes net income of independent professional practitioners.

(4) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1958-62
(millions of dollars)

1960					1961					1962					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
5,413	5,874	5,788	6,437	23,512	5,625	6,107	6,057	6,697	24,486	6,010	6,443	6,274	7,022	25,749	1
1,524	1,522	1,966	1,743	6,755	1,635	1,638	2,044	1,888	7,205	1,704	1,827	2,200	1,990	7,721	2
1,429	1,767	1,812	1,684	6,692	1,336	1,704	1,856	1,739	6,635	1,412	1,800	1,931	1,811	6,954	3
309	357	391	386	1,443	269	365	421	403	1,458	293	392	457	435	1,577	4
479	623	791	684	2,577	479	634	826	744	2,683	520	643	787	718	2,668	5
641	787	630	614	2,672	588	705	609	592	2,494	599	765	687	658	2,709	6
137	-134	668	-310	361	-22	-156	274	-240	-144	-4	-173	1,048	-306	565	7
386	-43	-105	37	275	193	-33	-76	192	276	245	-45	132	43	375	8
-249	-91	773	-347	86	-215	-123	350	-432	-420	-249	-128	916	-349	190	9
1,597	1,708	1,925	1,778	7,008	1,587	1,874	2,127	2,043	7,631	1,728	2,072	2,246	2,178	8,224	10
-1,903	-2,171	-2,033	-2,065	-8,172	-1,908	-2,170	-2,171	-2,293	-8,542	-2,047	-2,425	-2,278	-2,283	-9,033	11
52	205	-72	-87	98	83	157	-42	-48	150	156	226	-83	-78	221	12
8,249	8,771	10,054	9,180	36,254	8,336	9,154	10,145	9,786	37,421	8,959	9,770	11,338	10,334	40,401	13

(4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Source of Personal Income, by Quarters, 1958-62
(millions of dollars)

No.		1958					1959				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Wages, salaries, and supplementary labour income	3,903	4,146	4,274	4,198	16,521	4,118	4,362	4,495	4,484	17,459
2.	Deduct: Employer and employee contributions to social insurance and government pension funds	-153	-149	-156	-157	-615	-158	-152	-162	-180	-652
3.	Military pay and allowances	117	126	125	123	491	118	129	127	122	496
4.	Net income received by farm operators from farm production(1)	44	169	872	116	1,201	37	146	898	45	1,126
5.	Net income of non-farm unincorporated business	435	532	547	611	2,125	459	568	556	627	2,210
6.	Interest, dividends, and net rental income of persons(2)	527	572	573	605	2,277	589	649	652	709	2,599
	Transfer payments to persons:										
7.	From government (excluding interest)	766	633	589	649	2,637	793	696	618	648	2,755
8.	Charitable contributions by corporations	8	10	10	10	38	9	12	11	11	43
9.	PERSONAL INCOME	5,647	6,039	6,834	6,155	24,675	5,965	6,410	7,195	6,466	26,036

(1) This item differs from line 6 of Table 1, by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 4. Disposition of Personal Income, by Quarters, 1958-62
(millions of dollars)

		1958					1959				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Personal direct taxes	455	430	441	469	1,795	479	529	527	553	2,088
2.	Income taxes	380	375	393	406	1,544	375	444	454	471	1,744
3.	Succession duties and estate taxes ..	33	33	27	33	126	35	30	31	34	130
4.	Miscellaneous	42	22	21	30	115	69	55	42	48	214
5.	Personal expenditure on consumer goods and services	4,869	5,275	5,235	5,866	21,245	5,218	5,617	5,556	6,200	22,591
6.	Non-durable goods	2,457	2,615	2,659	3,147	10,878	2,565	2,703	2,790	3,315	11,373
7.	Durable goods	538	687	600	674	2,499	586	772	625	695	2,678
8.	Services(1)	1,874	1,973	1,976	2,045	7,868	2,067	2,142	2,141	2,190	8,540
9.	Personal net saving	323	334	1,158	-180	1,635	268	264	1,112	-287	1,357
10.	Personal saving excluding change in farm inventories	568	407	565	187	1,727	519	347	482	85	1,433
11.	Value of physical change in farm inventories	-245	-73	593	-367	-92	-251	-83	630	-372	-76
12.	PERSONAL INCOME	5,647	6,039	6,834	6,155	24,675	5,965	6,410	7,195	6,466	26,036
13.	(Personal disposable income)(2)	(5,192)	(5,609)	(6,393)	(5,686)	(22,880)	(5,486)	(5,881)	(6,668)	(5,913)	(23,948)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 3. Source of Personal Income, by Quarters, 1958-62
(millions of dollars)

1960					1961					1962					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
4,343	4,565	4,718	4,625	18,251	4,468	4,752	4,952	4,896	19,068	4,792	5,095	5,272	5,200	20,359	1
-189	-167	-193	-196	-745	-191	-190	-201	-205	-787	-199	-196	-209	-212	-816	2
119	129	127	134	509	129	140	137	144	550	147	152	145	142	586	3
48	90	969	71	1,178	101	116	652	80	949	1	222	1,149	30	1,402	4
446	555	522	690	2,213	444	548	573	724	2,289	486	585	573	736	2,380	5
672	703	694	767	2,836	705	742	718	820	2,985	726	787	773	900	3,186	6
899	760	720	750	3,129	981	844	772	811	3,408	1,075	885	835	857	3,652	7
10	11	10	9	40	8	12	12	12	44	9	12	12	12	45	8
6,348	6,646	7,567	6,850	27,411	6,645	6,964	7,615	7,282	28,506	7,037	7,542	8,550	7,665	30,794	9

TABLE 4. Disposition of Personal Income, by Quarters, 1958-62
(millions of dollars)

1960					1961					1962					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
557	640	577	586	2,360	571	676	631	633	2,511	625	719	674	696	2,714	1
428	551	500	499	1,978	454	586	545	546	2,131	498	627	587	599	2,311	2
50	37	32	39	158	37	34	37	36	144	42	40	43	41	166	3
79	52	45	48	224	80	56	49	51	236	85	52	44	56	237	4
5,413	5,874	5,788	6,437	23,512	5,625	6,107	6,057	6,697	24,486	6,010	6,443	6,274	7,022	25,749	5
2,641	2,830	2,923	3,391	11,785	2,745	2,953	3,036	3,523	12,257	2,934	3,085	3,199	3,659	12,877	6
587	754	598	730	2,669	558	747	645	747	2,697	643	826	621	823	2,913	7
2,185	2,290	2,267	2,316	9,058	2,322	2,407	2,376	2,427	9,532	2,433	2,532	2,454	2,540	9,959	8
378	132	1,202	-173	1,539	449	181	927	-48	1,509	402	380	1,602	-53	2,331	9
572	250	510	191	1,523	642	251	589	315	1,797	580	413	762	427	2,182	10
-194	-118	692	-364	16	-193	-70	338	-363	-288	-178	-33	840	-480	149	11
6,348	6,646	7,567	6,850	27,411	6,645	6,964	7,615	7,282	28,506	7,037	7,542	8,550	7,665	30,794	12
(5,791)	(6,006)	(6,990)	(6,264)	(25,051)	(6,074)	(6,288)	(6,984)	(6,649)	(25,995)	(6,412)	(6,823)	(7,876)	(6,969)	(28,080)	13

TABLE 5. Government Revenue, by Quarters, 1958-62
(millions of dollars)

No.		1958					1959				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Direct taxes - Persons	455	430	441	469	1,795	479	529	527	553	2,088
2.	Federal	390	384	396	411	1,581	385	452	457	476	1,770
3.	Provincial and municipal	65	46	45	58	214	94	77	70	77	318
4.	Direct taxes - Corporations	274	338	366	337	1,315	323	437	414	407	1,581
5.	Federal	224	276	299	276	1,075	268	362	343	337	1,310
6.	(Federal tax collections)(2)	(305)	(266)	(266)	(263)	(1,100)	(259)	(314)	(300)	(294)	(1,167)
7.	Provincial	50	62	67	61	240	55	75	71	70	271
8.	(Provincial tax collections)	(65)	(63)	(55)	(56)	(239)	(68)	(66)	(63)	(61)	(258)
Withholding taxes:											
9.	Federal(1)	8	6	18	16	48	19	16	18	21	74
10.	Indirect taxes	974	1,009	1,013	1,032	4,028	1,042	1,125	1,153	1,144	4,464
11.	Federal	444	482	487	499	1,912	456	546	556	567	2,125
12.	Provincial and municipal	530	527	526	533	2,116	586	579	597	577	2,339
13.	Investment income	186	222	236	293	937	215	239	238	306	998
14.	Federal	44	77	86	120	327	67	83	80	120	350
15.	Provincial and municipal	142	145	150	173	610	148	156	158	186	648
16.	Employer and employee contributions to social insurance and government funds	153	149	156	157	615	158	152	162	180	652
17.	Federal	100	94	99	98	391	102	93	101	118	414
18.	Provincial and municipal	53	55	57	59	224	56	59	61	62	238
Transfers from Federal:											
19.	Provincial and municipal	159	156	161	187	663	201	210	233	236	880
20.	TOTAL REVENUE	2,209	2,310	2,391	2,491	9,401	2,437	2,708	2,745	2,847	10,737
21.	FEDERAL	1,210	1,319	1,385	1,420	5,334	1,297	1,552	1,555	1,639	6,043
22.	PROVINCIAL and MUNICIPAL	999	991	1,006	1,071	4,067	1,140	1,156	1,190	1,208	4,694

(1) Beginning in 1962, the withholding tax series has been adjusted to conform more closely with the flow of interest and dividends to non-residents.

(2) In previous publications this item included taxes collected from the proprietary corporations of the federal government which became taxable in 1952. This series is now adjusted to exclude these taxes and the data for earlier years are presented below:

No.		1952					1953					1954				
		I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year
1.	Unadjusted for seasonal variation	315	326	301	314	1,256	366	304	309	307	1,286	321	257	266	261	1,105
2.	Seasonally adjusted at annual rates	1,144	1,376	1,228	1,276	1,256	1,336	1,280	1,264	1,264	1,286	1,172	1,076	1,084	1,088	1,105

TABLE 5. Government Revenue, by Quarters, 1958-62
(millions of dollars)

1960					1961					1962					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
557	640	577	586	2,360	571	676	631	633	2,511	625	719	674	696	2,714	1
447	557	506	507	2,017	461	582	543	546	2,132	468	563	526	531	2,088	2
110	83	71	79	343	110	94	88	87	379	157	156	148	165	626	3
354	428	403	377	1,562	307	411	448	446	1,612	379	470	443	458	1,750	4
291	352	331	310	1,284	250	334	364	363	1,311	288	357	336	347	1,328	5
(302)	(400)	(360)	(302)	(1,364)	(297)	(360)	(314)	(296)	(1,267)	(317)	(367)	(322)	(288)	(1,294)	6
63	76	72	67	278	57	77	84	83	301	91	113	107	111	422	7
(81)	(79)	(81)	(61)	(302)	(77)	(74)	(70)	(63)	(284)	(91)	(79)	(100)	(91)	(361)	8
19	19	17	24	79	30	27	24	35	116	26	35	23	41	125	9
1,137	1,198	1,175	1,196	4,706	1,167	1,231	1,255	1,317	4,970	1,314	1,381	1,431	1,426	5,552	10
502	570	540	568	2,180	496	553	555	586	2,190	528	596	635	641	2,400	11
635	628	635	628	2,526	671	678	700	731	2,780	786	785	796	785	3,152	12
233	254	247	319	1,053	238	256	290	346	1,130	270	291	276	374	1,211	13
76	95	82	131	384	73	87	116	133	409	79	111	90	168	448	14
157	159	165	188	669	165	169	174	213	721	191	180	186	206	763	15
189	167	193	196	745	191	190	201	205	787	199	196	209	212	816	16
127	102	126	127	482	126	120	130	134	510	128	122	133	135	518	17
62	65	67	69	263	65	70	71	71	277	71	74	76	77	298	18
251	247	242	254	994	260	298	283	287	1,128	300	256	278	302	1,136	19
2,740	2,953	2,854	2,952	11,499	2,764	3,089	3,132	3,269	12,254	3,113	3,348	3,334	3,509	13,304	20
1,462	1,695	1,602	1,667	6,426	1,436	1,703	1,732	1,797	6,668	1,517	1,784	1,743	1,863	6,907	21
1,278	1,258	1,252	1,285	5,073	1,328	1,386	1,400	1,472	5,586	1,596	1,564	1,591	1,646	6,397	22

1955					1956					1957					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
276	247	259	255	1,037	311	326	337	309	1,283	352	339	350	293	1,334	1
1,020	1,016	1,044	1,068	1,037	1,172	1,312	1,348	1,300	1,283	1,348	1,348	1,392	1,248	1,334	2

TABLE 6. Government Expenditure, by Quarters, 1958-62
(millions of dollars)

No.		1958					1959				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Goods and services	1,363	1,441	1,774	1,602	6,180	1,475	1,533	1,819	1,663	6,490
2.	Federal	694	680	759	721	2,854	712	711	725	684	2,832
3.	(Defence)	(472)	(377)	(404)	(408)	(1,661)	(457)	(356)	(370)	(376)	(1,559)
4.	Provincial and municipal	669	761	1,015	881	3,326	763	822	1,094	979	3,658
5.	Transfer payments to persons (excluding interest on the public debt)	766	633	589	649	2,637	793	696	618	648	2,755
6.	Federal	541	487	396	475	1,899	538	460	384	409	1,791
7.	Provincial and municipal	225	146	193	174	738	255	236	234	239	964
8.	Interest on the public debt	149	223	177	233	782	171	265	235	292	963
9.	Federal	102	150	136	156	544	117	178	180	203	678
10.	Provincial and municipal	47	73	41	77	238	54	87	55	89	285
11.	Subsidies	30	34	42	40	146	41	51	55	58	205
12.	Federal	29	32	35	35	131	40	49	48	52	189
13.	Provincial	1	2	7	5	15	1	2	7	6	16
	Transfers to other levels of government:										
14.	Federal	159	156	161	187	663	201	210	233	236	880
15.	Total expenditure	2,467	2,487	2,743	2,711	10,408	2,681	2,755	2,960	2,897	11,293
16.	Federal	1,525	1,505	1,487	1,574	6,091	1,608	1,608	1,570	1,584	6,370
17.	Provincial and municipal	942	982	1,256	1,137	4,317	1,073	1,147	1,390	1,313	4,923
18.	Deficit (-) or surplus (+)	-258	-177	-352	-220	-1,007	-244	-47	-215	-50	-556
19.	Federal	-315	-186	-102	-154	-757	-311	-56	-15	55	-327
20.	Provincial and municipal	57	9	-250	-66	-250	67	9	-200	-105	-229
21.	TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	2,209	2,310	2,391	2,491	9,401	2,437	2,708	2,745	2,847	10,737
22.	FEDERAL	1,210	1,319	1,385	1,420	5,334	1,297	1,552	1,555	1,639	6,043
23.	PROVINCIAL AND MUNICIPAL	999	991	1,006	1,071	4,067	1,140	1,156	1,190	1,208	4,694

(1) In this quarter the federal deficit is irregularly high by about \$75 million and the provincial - municipal surplus also correspondingly high as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements.

TABLE 6. Government Expenditure, by Quarters, 1958-62
(millions of dollars)

1960					1961					1962					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
1,524	1,522	1,966	1,743	6,755	1,635	1,638	2,044	1,888	7,205	1,704	1,827	2,200	1,990	7,721	1
670	633	732	690	2,725	702	714	791	767	2,974	751	770	772	715	3,008	2
(433)	(336)	(387)	(390)	(1,546)	(436)	(366)	(391)	(420)	(1,613)	(471)	(401)	(398)	(410)	(1,680)	3
854	889	1,234	1,053	4,030	933	924	1,253	1,121	4,231	953	1,057	1,428	1,275	4,713	4
899	760	720	750	3,129	981	844	772	811	3,408	1,075	885	835	857	3,652	5
580	492	436	471	1,979	602	519	425	469	2,015	665	524	453	480	2,122	6
319	268	284	279	1,150	379	325	347	342	1,393	410	361	382	377	1,530	7
236	269	241	350	1,096	234	303	241	386	1,164	242	323	269	440	1,274	8
168	169	177	242	756	160	187	169	267	783	157	199	189	310	855	9
68	100	64	108	340	74	116	72	119	381	85	124	80	130	419	10
50	58	66	62	236	45	51	97	61	254	60	67	63	101	291	11
48	54	54	54	210	42	48	83	48	221	57	63	50	90	260	12
2	4	12	8	26	3	3	14	13	33	3	4	13	11	31	13
251	247	242	254	994	260	298	283	287	1,128	300	256	278	302	1,136	14
2,960	2,856	3,235	3,159	12,210	3,155	3,134	3,437	3,433	13,159	3,381	3,358	3,645	3,690	14,074	15
1,717	1,595	1,641	1,711	6,664	1,766	1,766	1,751	1,838	7,121	1,930	1,812	1,742	1,897	7,381	16
1,243	1,261	1,594	1,448	5,546	1,389	1,368	1,686	1,595	6,038	1,451	1,546	1,903	1,793	6,693	17
-220	97	-381	-207	-711	-391	-45	-305	-164	-905	-268	-10	-311	-181	-770	18
-255	100	-39	-44	-238	-330	-63	-19	-41	-453	-413(1)	-28	1	-34	-474	19
35	-3	-342	-163	-473	-61	18	-286	-123	-452	145(1)	18	-312	-147	-296	20
2,740	2,953	2,854	2,952	11,499	2,764	3,089	3,132	3,269	12,254	3,113	3,348	3,334	3,509	13,304	21
1,462	1,695	1,602	1,667	6,426	1,436	1,703	1,732	1,797	6,668	1,517	1,784	1,743	1,863	6,907	22
1,278	1,258	1,252	1,285	5,073	1,328	1,386	1,400	1,472	5,586	1,596	1,564	1,591	1,646	6,397	23

TABLE 7. Source of National Saving, by Quarters, 1958-62
(millions of dollars)

No.		1958					1959				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Personal net saving	323	334	1,158	-180	1,635	268	264	1,112	-287	1,357
2.	Business gross saving	1,046	1,249	1,228	1,251	4,774	1,111	1,342	1,400	1,332	5,185
3.	Undistributed corporation profits ...	127	270	239	240	876	167	314	299	206	986
4.	Capital consumption allowances and miscellaneous valuation adjustments	940	986	977	996	3,899	963	1,052	1,087	1,102	4,204
5.	Adjustment on grain transac- tions(1)	-21	-7	12	15	-1	-19	-24	14	24	-5
6.	Inventory valuation adjustment	-35	26	9	-35	-35	-28	-53	-16	-25	-122
7.	Government surplus (+) or deficit (-)	-258	-177	-352	-220	-1,007	-244	-47	-215	-50	-556
8.	Residual error of estimate	-123	-44	118	151	102	-91	-105	56	110	-30
9.	Totals	953	1,388	2,161	967	5,469	1,016	1,401	2,337	1,080	5,834

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 8. Disposition of National Saving, by Quarters, 1958-62
(millions of dollars)

No.		1958					1959				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Business gross fixed capital formation	1,410	1,883	1,913	1,769	6,975	1,329	1,875	1,927	1,763	6,894
2.	New residential construction	301	458	494	510	1,763	343	449	466	476	1,734
3.	New non-residential construction	532	718	852	709	2,811	451	651	794	693	2,589
4.	New machinery and equipment	577	707	567	550	2,401	535	775	667	594	2,571
5.	Value of physical change in inventories	-300	-216	560	-366	-322	11	-134	774	-294	357
6.	Surplus (+) or deficit (-) on current account with non-residents	-281	-322	-194	-286	-1,083	-415	-446	-308	-279	-1,448
7.	Residual error of estimate	124	43	-118	-150	-101	91	106	-56	-110	31
8.	Totals	953	1,388	2,161	967	5,469	1,016	1,401	2,337	1,080	5,834

TABLE 7. Source of National Saving, by Quarters, 1958-62
(millions of dollars)

1960					1961					1962					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
378	132	1,202	-173	1,539	449	181	927	-48	1,509	402	380	1,602	-53	2,331	1
1,250	1,399	1,396	1,293	5,338	1,087	1,442	1,416	1,398	5,343	1,293	1,401	1,540	1,489	5,723	2
189	265	259	160	873	32	281	258	207	778	146	303	305	225	979	3
1,078	1,139	1,128	1,114	4,459	1,079	1,137	1,147	1,176	4,539	1,119	1,197	1,196	1,243	4,755	4
-17	-5	9	19	6	-24	24	11	15	26	28	-99	39	21	-11	5
-44	-47	10	1	-80	14	-13	-36	-32	-67	-27	-44	-49	-12	-132	6
-220	97	-381	-207	-711	-391	-45	-305	-164	-905	-268	-10	-311	-181	-770	7
-52	-206	73	86	-99	-83	-156	42	47	-150	-155	-227	82	79	-221	8
1,312	1,375	2,300	1,000	5,987	1,076	1,409	2,044	1,201	5,730	1,245	1,500	2,864	1,322	6,931	9

TABLE 8. Disposition of National Saving, by Quarters, 1958-62
(millions of dollars)

1960					1961					1962					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
1,429	1,767	1,812	1,684	6,692	1,336	1,704	1,856	1,739	6,635	1,412	1,800	1,931	1,811	6,954	1
309	357	391	386	1,443	269	365	421	403	1,458	293	392	457	435	1,577	2
479	623	791	684	2,577	479	634	826	744	2,683	520	643	787	718	2,668	3
641	787	630	614	2,672	588	705	609	592	2,494	599	765	687	658	2,709	4
137	-134	668	-310	361	-22	-156	274	-240	-144	-4	-173	1,048	-306	565	5
-306	-463	-108	-287	-1,164	-321	-296	-44	-250	-911	-319	-353	-32	-105	-809	6
52	205	-72	-87	98	83	157	-42	-48	150	156	226	-83	-78	221	7
1,312	1,375	2,300	1,000	5,987	1,076	1,409	2,044	1,201	5,730	1,245	1,500	2,864	1,322	6,931	8

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1958-62(1)
(millions of dollars)

No.		1958					1959				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Personal expenditure on consumer goods and services	4,790	5,123	5,098	5,696	20,707	5,029	5,407	5,344	5,931	21,711
2.	Non-durable goods	2,425	2,532	2,595	3,090	10,642	2,508	2,643	2,722	3,218	11,091
3.	Durable goods	531	680	601	652	2,464	563	746	615	668	2,592
4.	Services	1,834	1,911	1,902	1,954	7,601	1,958	2,018	2,007	2,045	8,028
5.	Government expenditure on goods and services	1,327	1,437	1,784	1,565	6,113	1,399	1,477	1,763	1,566	6,205
6.	Business gross fixed capital formation	1,381	1,847	1,877	1,720	6,825	1,276	1,789	1,830	1,667	6,562
7.	New residential construction	298	449	481	494	1,722	329	424	436	444	1,633
8.	New non-residential construction	526	709	842	690	2,767	434	624	758	657	2,473
9.	New machinery and equipment	557	689	554	536	2,336	513	741	636	566	2,456
10.	Change in inventories	-286	-251	553	-330	-314	30	-163	741	-270	338
11.	Non-farm business inventories	-11	-122	-64	1	-196	278	-23	93	66	414
12.	Farm inventories and grain in commercial channels	-275	-129	617	-331	-118	-248	-140	648	-336	-76
13.	Exports of goods and services	1,392	1,632	1,670	1,671	6,365	1,337	1,710	1,761	1,802	6,610
14.	Deduct: Imports of goods and services	-1,621	-1,918	-1,835	-1,939	-7,313	-1,733	-2,151	-2,075	-2,099	-8,058
15.	Residual error of estimate	122	42	-116	-147	-99	87	102	-54	-105	30
16.	GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	7,105	7,912	9,031	8,236	32,284	7,425	8,171	9,310	8,492	33,398

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, derived by dividing the value figures in Table 2 by the constant dollar figures in Table 9, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1958-62
(millions of dollars)

1960					1961					1962					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
5,173	5,589	5,500	6,095	22,357	5,305	5,763	5,696	6,306	23,070	5,627	6,000	5,795	6,493	23,915	1
2,582	2,752	2,832	3,269	11,435	2,649	2,851	2,911	3,391	11,802	2,820	2,947	3,026	3,456	12,249	2
558	725	589	715	2,587	544	733	649	742	2,668	638	818	619	813	2,888	3
2,033	2,112	2,079	2,111	8,335	2,112	2,179	2,136	2,173	8,600	2,169	2,235	2,150	2,224	8,778	4
1,388	1,413	1,864	1,590	6,255	1,437	1,497	1,928	1,682	6,544	1,440	1,611	2,000	1,710	6,761	5
1,339	1,645	1,683	1,564	6,231	1,233	1,575	1,714	1,600	6,122	1,282	1,622	1,733	1,620	6,257	6
287	327	357	352	1,323	246	333	383	366	1,328	263	348	403	383	1,397	7
446	582	737	639	2,404	443	587	771	692	2,493	475	585	718	652	2,430	8
606	736	589	573	2,504	544	655	560	542	2,301	544	689	612	585	2,430	9
136	-157	645	-279	345	-11	-189	237	-180	-143	41	-183	953	-262	549	10
376	-35	-107	37	271	189	-25	-85	193	272	245	-48	117	45	359	11
-240	-122	752	-316	74	-200	-164	322	-373	-415	-204	-135	836	-307	190	12
1,585	1,669	1,882	1,748	6,884	1,562	1,832	2,048	1,960	7,402	1,646	1,944	2,104	2,035	7,729	13
-1,883	-2,124	-1,985	-2,028	-8,020	-1,842	-2,085	-2,035	-2,150	-8,112	-1,887	-2,197	-2,060	-2,075	-8,219	14
49	192	-68	-81	92	77	148	-40	-45	140	144	208	-77	-72	203	15
7,787	8,227	9,521	8,609	34,144	7,761	8,541	9,548	9,173	35,023	8,293	9,005	10,448	9,449	37,195	16

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1958-62 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1958				
		I	II	III	IV	Year
1.	Wages, salaries, and supplementary labour income	16,288	16,524	16,552	16,720	16,521
2.	Military pay and allowances	492	496	484	492	491
3.	Corporation profits before taxes	2,928	2,880	3,092	3,400	3,075
4.	Deduct: Dividends paid to non-residents(1)	-448	-456	-496	-480	-470
5.	Rent, interest, and miscellaneous investment income	1,972	2,016	2,220	2,208	2,104
6.	Accrued net income of farm operators from farm production(2)	1,204	1,240	1,152	1,204	1,200
7.	Net income of non-farm unincorporated business(3)	2,140	2,064	2,116	2,180	2,125
8.	Inventory valuation adjustment	-140	104	36	-140	-35
9.	NET NATIONAL INCOME AT FACTOR COST	24,436	24,868	25,156	25,584	25,011
10.	Indirect taxes less subsidies	3,884	3,852	3,840	3,952	3,882
11.	Capital consumption allowances and miscellaneous valuation adjustments	3,948	3,892	3,816	3,940	3,899
12.	Residual error of estimate	-180	260	276	52	102
13.	GROSS NATIONAL PRODUCT AT MARKET PRICES	32,088	32,872	33,088	33,528	32,894
14.	(Gross national product at market prices excluding accrued net income of farm operators)	(30,884)	(31,632)	(31,936)	(32,324)	(31,694)
No.		1961				
		I	II	III	IV	Year
1.	Wages, salaries, and supplementary labour income	18,588	18,908	19,244	19,532	19,068
2.	Military pay and allowances	532	544	560	564	550
3.	Corporation profits before taxes	2,972	3,424	3,612	3,832	3,460
4.	Deduct: Dividends paid to non-residents(1)	-736	-532	-548	-532	-587
5.	Rent, interest, and miscellaneous investment income	2,560	2,512	2,728	2,712	2,628
6.	Accrued net income of farm operators from farm production(2)	1,040	952	992	916	975
7.	Net income of non-farm unincorporated business(3)	2,184	2,224	2,400	2,348	2,289
8.	Inventory valuation adjustment	56	-52	-144	-128	-67
9.	NET NATIONAL INCOME AT FACTOR COST	27,196	27,980	28,844	29,244	28,316
10.	Indirect taxes less subsidies	4,596	4,656	4,592	5,020	4,716
11.	Capital consumption allowances and miscellaneous valuation adjustments	4,492	4,472	4,564	4,628	4,539
12.	Residual error of estimate	-48	40	-296	-296	-150
13.	GROSS NATIONAL PRODUCT AT MARKET PRICES	36,236	37,148	37,704	38,596	37,421
14.	(Gross national product at market prices excluding accrued net income of farm operators)	(35,196)	(36,196)	(36,712)	(37,680)	(36,446)

(1) See footnote 1, Table 1.

(2) Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

(3) Includes net income of independent professional practitioners.

TABLE 10. National Income and Gross National Product, by Quarters, 1958-62 Seasonally Adjusted at Annual Rates
(millions of dollars)

1959					1960					No.
I	II	III	IV	Year	I	II	III	IV	Year	
17,164	17,376	17,432	17,864	17,459	18,084	18,172	18,316	18,432	18,251	1
496	504	500	484	496	496	504	508	528	509	2
3,396	3,484	3,516	3,620	3,504	3,608	3,352	3,336	3,140	3,359	3
-492	-492	-484	-536	-501	-460	-472	-476	-408	-454	4
2,312	2,252	2,296	2,400	2,315	2,376	2,460	2,424	2,508	2,442	5
1,076	1,196	1,148	1,064	1,121	1,168	1,140	1,172	1,256	1,184	6
2,136	2,240	2,224	2,240	2,210	2,220	2,240	2,180	2,212	2,213	7
-112	-212	-64	-100	-122	-176	-188	40	4	-80	8
25,976	26,348	26,568	27,036	26,482	27,316	27,208	27,500	27,672	27,424	9
4,100	4,248	4,356	4,332	4,259	4,464	4,496	4,400	4,520	4,470	10
4,004	4,152	4,316	4,344	4,204	4,484	4,492	4,476	4,384	4,459	11
-16	32	-56	-80	-30	96	-320	-120	-52	-99	12
34,064	34,780	35,184	35,632	34,915	36,360	35,876	36,256	36,524	36,254	13
(32,988)	(33,584)	(34,036)	(34,568)	(33,794)	(35,192)	(34,736)	(35,084)	(35,268)	(35,070)	14
1962										
I	II	III	IV	Year						
19,940	20,268	20,500	20,728	20,359						
600	588	600	556	586						
3,720	3,836	3,772	3,968	3,824						
-576	-636	-512	-556	-570						
2,692	2,732	2,720	2,928	2,768						
1,416	1,420	1,452	1,276	1,391						
2,432	2,360	2,344	2,384	2,380						
-108	-176	-196	-48	-132						
30,116	30,392	30,680	31,236	30,606						
5,152	5,192	5,424	5,276	5,261						
4,660	4,704	4,756	4,900	4,755						
-380	-240	-104	-160	-221						
39,548	40,048	40,756	41,252	40,401						
(38,132)	(38,628)	(39,304)	(39,976)	(39,010)						

TABLE 11. Gross National Expenditure, by Quarters, 1958-62 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1958				
		I	II	III	IV	Year
1.	Personal expenditure on consumer goods and services	20,796	21,056	21,392	21,736	21,245
2.	Government expenditure on goods and services(1, 2)	5,924	6,212	6,292	6,292	6,180
3.	Business gross fixed capital formation(3)	6,984	7,000	6,924	6,992	6,975
4.	New residential construction	1,624	1,760	1,796	1,872	1,763
5.	New non-residential construction	2,876	2,872	2,796	2,700	2,811
6.	New machinery and equipment	2,484	2,368	2,332	2,420	2,401
7.	Value of physical change in inventories	-808	-268	-88	-124	-322
8.	Non-farm business inventories	-688	-168	-4	72	-197
9.	Farm inventories and grain in commercial channels(4)	-120	-100	-84	-196	-125
10.	Exports of goods and services	6,324	6,428	6,180	6,428	6,340
11.	Deduct: Imports of goods and services	-7,316	-7,296	-7,340	-7,740	-7,423
12.	Residual error of estimate	184	-260	-272	-56	-101
13.	GROSS NATIONAL EXPENDITURE AT MARKET PRICES	32,088	32,872	33,088	33,528	32,894
Detail of Farm Inventories and GICC:						
	Value of grain crop production	860	860	860	860	860
	Depletions of farm stocks of grain	-936	-1,032	-964	-996	-982
	Change in livestock inventories	-12	104	32	-4	30
	Grain in Commercial Channels	-32	-32	-12	-56	-33
No.		1961				
		I	II	III	IV	Year
1.	Personal expenditure on consumer goods and services	23,920	24,372	24,732	24,920	24,486
2.	Government expenditure on goods and services(1, 2)	7,088	7,076	7,268	7,388	7,205
3.	Business gross fixed capital formation(3)	6,564	6,500	6,692	6,784	6,635
4.	New residential construction	1,412	1,448	1,496	1,476	1,458
5.	New non-residential construction	2,604	2,632	2,704	2,792	2,683
6.	New machinery and equipment	2,548	2,420	2,492	2,516	2,494
7.	Value of physical change in inventories	-268	-56	-484	232	-144
8.	Non-farm business inventories	-	372	-44	776	276
9.	Farm inventories and grain in commercial channels(4)	-268	-428	-440	-544	-420
10.	Exports of goods and services	7,264	7,492	7,856	7,912	7,631
11.	Deduct: Imports of goods and services	-8,380	-8,196	-8,660	-8,932	-8,542
12.	Residual error of estimate	48	-40	300	292	150
13.	GROSS NATIONAL EXPENDITURE AT MARKET PRICES	36,236	37,148	37,704	38,596	37,421
Detail of Farm Inventories and GICC:						
	Value of grain crop production	624	624	624	624	624
	Depletions of farm stocks of grain	-1,020	-1,040	-920	-812	-948
	Change in livestock inventories	92	116	16	-80	36
	Grain in Commercial Channels	36	-128	-160	-276	-132

(1) See footnote 1, Table 2.

(2) For details of defence expenditures, see line 3, Table 15.

(3) See footnote 3, Table 2.

(4) In the seasonally adjusted series, the value of grain production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 2, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 11. Gross National Expenditure, by Quarters, 1958-62 Seasonally Adjusted at Annual Rates
(millions of dollars)

1959					1960					No.
I	II	III	IV	Year	I	II	III	IV	Year	
22,244	22,436	22,696	22,988	22,591	23,132	23,368	23,612	23,936	23,512	1
6,412	6,576	6,440	6,532	6,490	6,624	6,560	6,988	6,848	6,755	2
6,604	6,964	7,044	6,964	6,894	6,968	6,624	6,560	6,616	6,692	3
1,788	1,740	1,688	1,720	1,734	1,600	1,396	1,392	1,384	1,443	4
2,500	2,624	2,600	2,632	2,589	2,612	2,540	2,584	2,572	2,577	5
2,316	2,600	2,756	2,612	2,571	2,756	2,688	2,584	2,660	2,672	6
284	236	624	284	357	848	372	-88	312	361	7
496	252	616	320	421	828	276	-180	176	275	8
-212	-16	8	-36	-64	20	96	92	136	86	9
6,344	6,688	6,636	7,064	6,683	7,216	6,812	7,116	6,888	7,008	10
-7,844	-8,084	-8,316	-8,280	-8,131	-8,332	-8,176	-8,056	-8,124	-8,172	11
20	-36	60	80	31	-96	316	124	48	98	12
34,064	34,780	35,184	35,632	34,915	36,360	35,876	36,256	36,524	36,254	13
912	912	912	912	912	1,008	1,008	1,012	1,012	1,010	
-1,164	-948	-920	-1,000	-1,008	-924	-1,028	-1,060	-1,020	-1,008	
8	20	28	24	20	32	-76	20	80	14	
32	-	-12	28	12	-96	192	120	64	70	
1962										
I	II	III	IV	Year						
25,540	25,592	25,696	26,168	25,749						
7,384	7,900	7,824	7,776	7,721						
6,888	6,860	7,016	7,052	6,954						
1,536	1,564	1,616	1,592	1,577						
2,756	2,676	2,588	2,652	2,668						
2,596	2,620	2,812	2,808	2,709						
384	360	1,016	500	565						
200	328	800	172	375						
184	32	216	328	190						
7,940	8,272	8,248	8,436	8,224						
-8,972	-9,176	-9,144	-8,840	-9,033						
384	240	100	160	221						
39,548	40,048	40,756	41,252	40,401						
1,172	1,176	1,176	1,176	1,175						
-856	-872	-1,104	-1,364	-1,049						
28	24	52	-12	23						
-160	-296	92	528	41						

TABLE 12. Source of Personal Income, by Quarters, 1958-62 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1958					1959				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Wages, salaries, and supplementary labour income	16,288	16,524	16,552	16,720	16,521	17,164	17,376	17,432	17,864	17,459
2.	Deduct: Employer and employee contributions to social insurance and government pension funds	-600	-612	-624	-624	-615	-620	-628	-644	-716	-652
3.	Military pay and allowances ..	492	496	484	492	491	496	504	500	484	496
4.	Net income received by farm operators from farm production(1)	1,208	1,208	1,168	1,220	1,201	1,064	1,264	1,132	1,044	1,126
5.	Net income of non-farm unincorporated business	2,140	2,064	2,116	2,180	2,125	2,136	2,240	2,224	2,240	2,210
6.	Interest, dividends, and net rental income of persons(2)	2,200	2,232	2,348	2,328	2,277	2,452	2,544	2,668	2,732	2,599
	Transfer payments to persons:										
7.	From government (excluding interest)	2,468	2,520	2,684	2,876	2,637	2,656	2,836	2,708	2,820	2,755
8.	Charitable contributions by corporations	36	36	40	40	38	40	44	44	44	43
9.	PERSONAL INCOME	24,232	24,468	24,768	25,232	24,675	25,388	26,180	26,064	26,512	26,036

(1) This item differs from line 6, Table 10 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 13. Disposition of Personal Income, by Quarters, 1958-62 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1958					1959				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Personal direct taxes	1,868	1,616	1,788	1,908	1,795	1,988	1,972	2,152	2,240	2,088
2.	Income taxes	1,628	1,380	1,576	1,632	1,554	1,636	1,636	1,816	1,888	1,744
3.	Succession duties and estate taxes	132	132	108	132	126	140	120	124	136	130
4.	Miscellaneous	108	104	104	144	115	212	216	212	216	214
5.	Personal expenditure on consumer goods and services ...	20,796	21,056	21,392	21,736	21,245	22,244	22,436	22,696	22,988	22,591
6.	Non-durable goods	10,776	10,864	10,880	10,992	10,878	11,200	11,276	11,400	11,616	11,373
7.	Durable goods	2,436	2,436	2,552	2,572	2,499	2,668	2,732	2,684	2,628	2,678
8.	Services(1)	7,584	7,756	7,960	8,172	7,868	8,376	8,428	8,612	8,744	8,540
9.	Personal net saving	1,568	1,796	1,588	1,588	1,635	1,156	1,772	1,216	1,284	1,357
10.	PERSONAL INCOME	24,232	24,468	24,768	25,232	24,675	25,388	26,180	26,064	26,512	26,036
11.	(Personal disposable income)(2)	(22,364)	(22,852)	(22,980)	(23,324)	(22,880)	(23,400)	(24,208)	(23,912)	(24,272)	(23,948)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 12. Source of Personal Income, by Quarters, 1958-62 Seasonally Adjusted at Annual Rates
(millions of dollars)

1960					1961					1962					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
18,084	18,172	18,316	18,432	18,251	18,588	18,908	19,244	19,532	19,068	19,940	20,268	20,500	20,728	20,359	1
-740	-700	-764	-776	-745	-756	-792	-796	-804	-787	-792	-812	-828	-832	-816	2
496	504	508	528	509	532	544	560	564	550	600	588	600	556	586	3
1,152	1,132	1,172	1,256	1,178	1,040	836	988	932	949	1,200	1,792	1,340	1,276	1,402	4
2,220	2,240	2,180	2,212	2,213	2,184	2,224	2,400	2,348	2,289	2,432	2,360	2,344	2,384	2,380	5
2,808	2,792	2,836	2,908	2,836	2,932	2,968	2,960	3,080	2,985	3,020	3,192	3,204	3,328	3,186	6
3,036	3,036	3,184	3,260	3,129	3,332	3,424	3,392	3,484	3,408	3,760	3,572	3,596	3,680	3,652	7
40	40	40	40	40	44	44	44	44	44	44	44	44	48	45	8
27,096	27,216	27,472	27,860	27,411	27,896	28,156	28,792	29,180	28,506	30,204	31,004	30,800	31,168	30,794	9

TABLE 13. Disposition of Personal Income, by Quarters, 1958-62 Seasonally Adjusted at Annual Rates
(millions of dollars)

1960					1961					1962					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
2,316	2,384	2,352	2,388	2,360	2,396	2,504	2,572	2,572	2,511	2,640	2,652	2,752	2,812	2,714	1
1,892	2,020	2,000	2,000	1,978	2,016	2,136	2,180	2,192	2,131	2,220	2,272	2,348	2,404	2,311	2
200	148	128	156	158	148	136	148	144	144	168	160	172	164	166	3
224	216	224	232	224	232	232	244	236	236	252	220	232	244	237	4
23,132	23,368	23,612	23,936	23,512	23,920	24,372	24,732	24,920	24,486	25,540	25,592	25,696	26,168	25,749	5
11,600	11,692	11,868	11,980	11,785	11,984	12,256	12,280	12,508	12,257	12,832	12,724	12,920	13,032	12,877	6
2,684	2,668	2,624	2,700	2,669	2,556	2,656	2,852	2,724	2,697	2,928	2,932	2,764	3,028	2,913	7
8,848	9,008	9,120	9,256	9,058	9,380	9,460	9,600	9,688	9,532	9,780	9,936	10,012	10,108	9,959	8
1,648	1,464	1,508	1,536	1,539	1,580	1,280	1,488	1,688	1,509	2,024	2,760	2,352	2,188	2,331	9
27,096	27,216	27,472	27,860	27,411	27,896	28,156	28,792	29,180	28,506	30,204	31,004	30,800	31,168	30,794	10
(24,780)	(24,832)	(25,120)	(25,472)	(25,051)	(25,500)	(25,652)	(26,220)	(26,608)	(25,995)	(27,564)	(28,352)	(28,048)	(28,356)	(28,080)	11

TABLE 14. Government Revenue, by Quarters, 1958-62 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1958					1959				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Direct taxes - Persons	1,868	1,616	1,788	1,908	1,795	1,988	1,972	2,152	2,240	2,088
2.	Federal	1,664	1,412	1,592	1,656	1,581	1,672	1,668	1,828	1,912	1,770
3.	Provincial and municipal	204	204	196	252	214	316	304	324	328	318
4.	Direct taxes - Corporations	1,244	1,260	1,376	1,380	1,315	1,488	1,632	1,576	1,628	1,581
5.	Federal	1,016	1,032	1,124	1,128	1,075	1,236	1,356	1,308	1,340	1,310
6.	(Federal tax collections)(1)	(1,204)	(1,004)	(1,024)	(1,112)	(1,086)	(1,064)	(1,176)	(1,176)	(1,252)	(1,167)
7.	Provincial	228	228	252	252	240	252	276	268	288	271
8.	(Provincial tax collections)	(232)	(240)	(232)	(252)	(239)	(240)	(256)	(260)	(276)	(258)
	Withholding taxes:										
9.	Federal(2)	28	24	72	68	48	76	64	80	76	74
10.	Indirect taxes	4,020	3,988	4,000	4,104	4,028	4,288	4,448	4,560	4,560	4,464
11.	Federal	1,912	1,876	1,912	1,948	1,912	1,980	2,128	2,180	2,212	2,125
12.	Provincial and municipal(3)	2,108	2,112	2,088	2,156	2,116	2,308	2,320	2,380	2,348	2,339
13.	Investment income	872	892	1,008	976	937	992	976	1,008	1,016	998
14.	Federal	276	288	380	364	327	372	324	352	352	350
15.	Provincial and municipal	596	604	628	612	610	620	652	656	664	648
16.	Employer and employee contributions to social insurance and government pension funds	600	612	624	624	615	620	628	644	716	652
17.	Federal	388	392	396	388	391	396	392	400	468	414
18.	Provincial and municipal	212	220	228	236	224	224	236	244	248	238
	Transfers from Federal:										
19.	Provincial and municipal	608	624	660	760	663	760	836	968	956	880
20.	TOTAL REVENUE	9,240	9,016	9,528	9,820	9,401	10,212	10,556	10,988	11,192	10,737
21.	FEDERAL	5,284	5,024	5,476	5,552	5,334	5,732	5,932	6,148	6,360	6,043
22.	PROVINCIAL and MUNICIPAL	3,956	3,992	4,052	4,268	4,067	4,480	4,624	4,840	4,832	4,694

(1) These data are now adjusted to exclude taxes paid by the proprietary corporations of the federal government. For revisions to earlier years see footnote 2, Table 5.

(2) See footnote 1, Table 5.

(3) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 14. Government Revenue, by Quarters, 1958-62 Seasonally Adjusted at Annual Rates
(millions of dollars)

1960					1961					1962					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
2,316	2,384	2,352	2,388	2,360	2,396	2,504	2,572	2,572	2,511	2,640	2,652	2,752	2,812	2,714	1
1,964	2,044	2,024	2,036	2,017	2,040	2,120	2,172	2,196	2,132	2,072	2,040	2,104	2,136	2,088	2
352	340	328	352	343	356	384	400	376	379	568	612	648	676	626	3
1,640	1,608	1,528	1,472	1,562	1,448	1,568	1,708	1,724	1,612	1,768	1,768	1,700	1,764	1,750	4
1,352	1,328	1,256	1,200	1,284	1,188	1,276	1,392	1,388	1,311	1,356	1,348	1,296	1,312	1,328	5
(1,280)	(1,440)	(1,420)	(1,316)	(1,364)	(1,288)	(1,268)	(1,228)	(1,284)	(1,267)	(1,368)	(1,296)	(1,252)	(1,260)	(1,294)	6
288	280	272	272	278	260	292	316	336	301	412	420	404	452	422	7
(288)	(304)	(332)	(284)	(302)	(268)	(284)	(288)	(296)	(284)	(324)	(304)	(404)	(412)	(361)	8
76	76	76	88	79	116	112	112	124	116	104	144	112	140	125	9
4,692	4,724	4,640	4,768	4,706	4,808	4,868	4,952	5,252	4,970	5,424	5,464	5,648	5,672	5,552	10
2,188	2,216	2,108	2,208	2,180	2,164	2,156	2,164	2,276	2,190	2,316	2,324	2,480	2,480	2,400	11
2,504	2,508	2,532	2,560	2,526	2,644	2,712	2,788	2,976	2,780	3,108	3,140	3,168	3,192	3,152	12
1,056	1,044	1,040	1,072	1,053	1,072	1,056	1,212	1,180	1,130	1,192	1,200	1,148	1,304	1,211	13
400	380	360	396	384	384	348	496	408	409	408	444	388	552	448	14
656	664	680	676	669	688	708	716	772	721	784	756	760	752	763	15
740	700	764	776	745	756	792	796	804	787	92	812	828	832	816	16
492	440	496	500	482	496	512	512	520	510	508	516	524	524	518	17
248	260	268	276	263	260	280	284	284	277	284	296	304	308	298	18
972	980	1,008	1,016	994	1,020	1,172	1,176	1,144	1,128	1,184	1,004	1,156	1,200	1,136	19
11,492	11,516	11,408	11,580	11,499	11,616	12,072	12,528	12,800	12,254	13,104	13,044	13,344	13,724	13,304	20
6,472	6,484	6,320	6,428	6,426	6,388	6,524	6,848	6,912	6,668	6,764	6,816	6,904	7,144	6,907	21
5,020	5,032	5,088	5,152	5,073	5,228	5,548	5,680	5,888	5,586	6,340	6,228	6,440	6,580	6,397	22

TABLE 15. Government Expenditure, by Quarters, 1958-62 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1958					1959				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Goods and services	5,924	6,212	6,292	6,292	6,180	6,412	6,576	6,440	6,532	6,490
2.	Federal	2,804	2,836	2,884	2,892	2,854	2,896	2,936	2,740	2,756	2,832
3.	(Defence)	(1,680)	(1,688)	(1,648)	(1,628)	(1,661)	(1,636)	(1,584)	(1,504)	(1,512)	(1,559)
4.	Provincial and municipal	3,120	3,376	3,408	3,400	3,326	3,516	3,640	3,700	3,776	3,658
5.	Transfer payments to persons (excluding interest on the public debt)	2,468	2,520	2,684	2,876	2,637	2,656	2,836	2,708	2,820	2,755
6.	Federal	1,756	1,860	1,896	2,084	1,899	1,816	1,812	1,756	1,780	1,791
7.	Provincial and municipal	712	660	788	792	738	840	1,024	952	1,040	964
8.	Interest on the public debt	752	768	808	800	782	844	952	1,072	984	963
9.	Federal	528	528	572	548	544	580	668	772	692	678
10.	Provincial and municipal	224	240	236	252	238	264	284	300	292	285
11.	Subsidies	136	136	160	152	146	188	200	204	228	205
12.	Federal	124	120	144	136	131	172	184	188	212	189
13.	Provincial	12	16	16	16	15	16	16	16	16	16
	Transfers to other levels of government:										
14.	Federal	608	624	660	760	663	760	836	968	956	880
15.	Total expenditure	9,888	10,260	10,604	10,880	10,408	10,860	11,400	11,392	11,520	11,293
16.	Federal	5,820	5,968	6,156	6,420	6,091	6,224	6,436	6,424	6,396	6,370
17.	Provincial and municipal	4,068	4,292	4,448	4,460	4,317	4,636	4,964	4,968	5,124	4,923
18.	Deficit (-) or surplus (+)	-648	-1,244	-1,076	-1,060	-1,007	-648	-844	-404	-328	-556
19.	Federal	-536	-944	-680	-868	-757	-492	-504	-276	-36	-327
20.	Provincial and municipal	-112	-300	-396	-192	-250	-156	-340	-128	-292	-229
21.	TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	9,240	9,016	9,528	9,820	9,401	10,212	10,556	10,988	11,192	10,737
22.	FEDERAL	5,284	5,024	5,476	5,552	5,334	5,732	5,932	6,148	6,360	6,043
23.	PROVINCIAL AND MUNICIPAL	3,956	3,992	4,052	4,268	4,067	4,480	4,624	4,840	4,832	4,694

(1) In this quarter the federal deficit is irregularly high by about \$300 million and the provincial-municipal deficit correspondingly low as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements.

TABLE 15. Government Expenditure, by Quarters, 1958-62 Seasonally Adjusted at Annual Rates
(millions of dollars)

1960					1961					1962					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
6,624	6,560	6,988	6,848	6,755	7,088	7,076	7,268	7,388	7,205	7,384	7,900	7,824	7,776	7,721	1
2,720	2,604	2,796	2,780	2,725	2,880	2,936	3,012	3,068	2,974	3,032	3,188	2,952	2,860	3,008	2
(1,548)	(1,488)	(1,580)	(1,568)	(1,546)	(1,560)	(1,608)	(1,600)	(1,684)	(1,613)	(1,684)	(1,744)	(1,644)	(1,648)	(1,680)	3
3,904	3,956	4,192	4,068	4,030	4,208	4,140	4,256	4,320	4,231	4,352	4,712	4,872	4,916	4,713	4
3,036	3,036	3,184	3,260	3,129	3,332	3,424	3,392	3,484	3,408	3,760	3,572	3,596	3,680	3,652	5
1,944	1,908	2,020	2,044	1,979	2,024	2,052	1,972	2,012	2,015	2,312	2,088	2,032	2,056	2,122	6
1,092	1,128	1,164	1,216	1,150	1,308	1,372	1,420	1,472	1,393	1,448	1,484	1,564	1,624	1,530	7
1,148	1,012	1,092	1,132	1,096	1,128	1,208	1,116	1,204	1,164	1,172	1,320	1,260	1,344	1,274	8
820	684	744	776	756	772	824	728	808	783	772	912	828	908	855	9
328	328	348	356	340	356	384	388	396	381	400	408	432	436	419	10
228	228	240	248	236	212	212	360	232	254	272	272	224	396	291	11
204	204	212	220	210	180	180	328	196	221	244	240	192	364	260	12
24	24	28	28	26	32	32	32	36	33	28	32	32	32	31	13
972	980	1,008	1,016	994	1,020	1,172	1,176	1,144	1,128	1,184	1,004	1,156	1,200	1,136	14
12,008	11,816	12,512	12,504	12,210	12,780	13,092	13,312	13,452	13,159	13,772	14,068	14,060	14,396	14,074	15
6,660	6,380	6,780	6,836	6,664	6,876	7,164	7,216	7,228	7,121	7,544	7,432	7,160	7,388	7,381	16
5,348	5,436	5,732	5,668	5,546	5,904	5,928	6,096	6,224	6,038	6,228	6,636	6,900	7,008	6,693	17
-516	-300	-1,104	-924	-711	-1,164	-1,020	-784	-652	-905	-668	-1,024	-716	-672	-770	18
-188	104	-460	-408	-238	-488	-640	-368	-316	-453	-780(1)	-616	-256	-244	-474	19
-328	-404	-644	-516	-473	-676	-380	-416	-336	-452	112(1)	-408	-460	-428	-296	20
11,492	11,516	11,408	11,580	11,499	11,616	12,072	12,528	12,800	12,254	13,104	13,044	13,344	13,724	13,304	21
6,472	6,484	6,320	6,428	6,426	6,388	6,524	6,848	6,912	6,668	6,764	6,816	6,904	7,144	6,907	22
5,020	5,032	5,088	5,152	5,073	5,228	5,548	5,680	5,888	5,586	6,340	6,228	6,440	6,580	6,397	23

TABLE 16. Source of National Saving, by Quarters, 1958-62 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1958					1959				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Personal net saving	1,568	1,796	1,588	1,588	1,635	1,156	1,772	1,216	1,284	1,357
2.	Business gross saving	4,768	4,688	4,580	5,060	4,774	5,028	5,020	5,356	5,336	5,185
3.	Undistributed corporation profits	824	764	780	1,136	876	1,012	936	1,024	972	986
4.	Capital consumption allowances and miscellaneous valuation adjustments	3,948	3,892	3,816	3,940	3,899	4,004	4,152	4,316	4,344	4,204
5.	Adjustment on grain transactions(1) ..	-4	32	-16	-16	-1	12	-68	16	20	-5
6.	Inventory valuation adjustment	-140	104	36	-140	-35	-112	-212	-64	-100	-122
7.	Government surplus (+) or deficit(-) ...	-648	-1,244	-1,076	-1,060	-1,007	-648	-844	-404	-328	-556
8.	Residual error of estimate	-180	260	276	52	102	-16	32	-56	-80	-30
9.	Totals	5,368	5,604	5,404	5,500	5,469	5,408	5,768	6,048	6,112	5,834

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 17. Disposition of National Saving, by Quarters, 1958-62 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1958					1959				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Business gross fixed capital formation	6,984	7,000	6,924	6,992	6,975	6,604	6,964	7,044	6,964	6,894
2.	New residential construction	1,624	1,760	1,796	1,872	1,763	1,788	1,740	1,688	1,720	1,734
3.	New non-residential construction	2,876	2,872	2,796	2,700	2,811	2,500	2,624	2,600	2,632	2,589
4.	New machinery and equipment	2,484	2,368	2,332	2,420	2,401	2,316	2,600	2,756	2,612	2,571
5.	Value of physical change in inventories	-808	-268	-88	-124	-322	284	236	624	284	357
6.	Surplus (+) or deficit (-) on current account with non-residents	-992	-868	-1,160	-1,312	-1,083	-1,500	-1,396	-1,680	-1,216	-1,448
7.	Residual error of estimate	184	-260	-272	-56	-101	20	-36	60	80	31
8.	Totals	5,368	5,604	5,404	5,500	5,469	5,408	5,768	6,048	6,112	5,834

TABLE 16. Source of National Saving, by Quarters, 1958-62 Seasonally Adjusted at Annual Rates
(millions of dollars)

1960					1961					1962					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
1,648	1,464	1,508	1,536	1,539	1,580	1,280	1,488	1,688	1,509	2,024	2,760	2,352	2,188	2,331	1
5,552	5,292	5,332	5,176	5,338	4,804	5,452	5,440	5,676	5,343	5,756	5,236	5,900	6,000	5,723	2
1,052	792	856	792	873	312	864	872	1,064	778	880	904	1,032	1,100	979	3
4,484	4,492	4,476	4,384	4,459	4,492	4,472	4,564	4,628	4,539	4,660	4,704	4,756	4,900	4,755	4
16	8	-	-	6	-	116	4	-16	26	216	-372	112	-	-11	5
-176	-188	40	4	-80	56	-52	-144	-128	-67	-108	-176	-196	-48	-132	6
-516	-300	-1,104	-924	-711	-1,164	-1,020	-784	-652	-905	-668	-1,024	-716	-672	-770	7
96	-320	-120	-52	-99	-48	40	-296	-296	-150	-380	-240	-104	-160	-221	8
6,604	5,948	5,656	5,740	5,987	5,228	5,700	5,704	6,288	5,730	6,624	6,556	7,236	7,308	6,931	9

TABLE 17. Disposition of National Saving, by Quarters, 1958-62 Seasonally Adjusted at Annual Rates
(millions of dollars)

1960					1961					1962					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
6,968	6,624	6,560	6,616	6,692	6,564	6,500	6,692	6,784	6,635	6,888	6,860	7,016	7,052	6,954	1
1,600	1,396	1,392	1,384	1,443	1,412	1,448	1,496	1,476	1,458	1,536	1,564	1,616	1,592	1,577	2
2,612	2,540	2,584	2,572	2,577	2,604	2,632	2,704	2,792	2,683	2,756	2,676	2,588	2,652	2,668	3
2,756	2,688	2,584	2,660	2,672	2,548	2,420	2,492	2,516	2,494	2,596	2,620	2,812	2,808	2,709	4
848	372	-88	312	361	-268	-56	-484	232	-144	384	360	1,016	500	565	5
-1,116	-1,364	-940	-1,236	-1,164	-1,116	-704	-804	-1,020	-911	-1,032	-904	-896	-404	-809	6
-96	316	124	48	98	48	-40	300	292	150	384	240	100	160	221	7
6,604	5,948	5,656	5,740	5,987	5,228	5,700	5,704	6,288	5,730	6,624	6,556	7,236	7,308	6,931	8

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1958-62(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1958					1959				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Personal expenditure on consumer goods and services	20,472	20,448	20,836	21,072	20,707	21,448	21,612	21,804	21,980	21,711
2.	Non-durable goods	10,624	10,512	10,660	10,772	10,642	10,932	11,020	11,128	11,284	11,091
3.	Durable goods	2,436	2,412	2,512	2,496	2,464	2,592	2,648	2,596	2,532	2,592
4.	Services	7,412	7,524	7,664	7,804	7,601	7,924	7,944	8,080	8,164	8,028
5.	Government expenditure on goods and services	5,892	6,172	6,232	6,156	6,113	6,224	6,324	6,112	6,160	6,205
6.	Business gross fixed capital formation	6,864	6,872	6,780	6,784	6,825	6,360	6,636	6,676	6,576	6,562
7.	New residential construction	1,600	1,732	1,752	1,804	1,722	1,708	1,644	1,580	1,600	1,633
8.	New non-residential construction	2,852	2,836	2,756	2,624	2,767	2,420	2,512	2,472	2,488	2,473
9.	New machinery and equipment	2,412	2,304	2,272	2,356	2,336	2,232	2,480	2,624	2,488	2,456
10.	Change in inventories	-796	-280	-72	-108	-314	292	228	592	240	338
11.	Non-farm business inventories	-692	-168	-	76	-196	480	260	604	312	414
12.	Farm inventories and grain in commercial channels	-104	-112	-72	-184	-118	-188	-32	-12	-72	-76
13.	Exports of goods and services	6,348	6,480	6,224	6,408	6,365	6,276	6,632	6,568	6,964	6,610
14.	Deduct: Imports of goods and services ..	-7,164	-7,216	-7,244	-7,628	-7,313	-7,756	-8,012	-8,248	-8,216	-8,058
15.	Residual error of estimate	172	-252	-260	-56	-99	20	-36	56	80	30
16.	GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	31,788	32,224	32,496	32,628	32,284	32,864	33,384	33,560	33,784	33,398

(1) See footnote 1, Table 9.

TABLE 19. Implicit Price Indexes - Seasonally Adjusted
Gross National Expenditure, (1) 1958-62
(1957 = 100)

No.		1958					1959				
		I	II	III	IV	Year	I	II	III	IV	Year
1.	Personal expenditure on consumer goods and services	101.6	103.0	102.7	103.2	102.6	103.7	103.8	104.1	104.6	104.1
2.	Non-durable goods	101.4	103.3	102.1	102.0	102.3	102.5	102.3	102.4	102.9	102.5
3.	Durable goods	100.4	101.2	101.7	103.2	101.5	102.9	103.2	103.4	103.8	103.3
4.	Services	102.4	103.2	103.9	104.7	103.6	105.7	106.1	106.6	107.1	106.4
5.	Government expenditure on goods and services	100.5	100.6	101.0	102.2	101.1	103.0	104.0	105.4	106.0	104.6
6.	Business gross fixed capital formation	101.7	101.9	102.1	103.1	102.2	103.8	104.9	105.5	105.9	105.1
7.	New residential construction	101.5	101.6	102.5	103.8	102.4	104.7	105.8	106.8	107.5	106.2
8.	New non-residential construction	100.8	101.3	101.5	102.9	101.6	103.3	104.5	105.2	105.8	104.7
9.	New machinery and equipment	103.0	102.8	102.6	102.7	102.8	103.8	104.8	105.0	105.0	104.7
10.	Exports of goods and services	99.6	99.2	99.3	100.3	99.6	101.1	100.8	101.0	101.4	101.1
11.	Imports of goods and services	102.1	101.1	101.3	101.5	101.5	101.1	100.9	100.8	100.8	100.9
12.	GROSS NATIONAL EXPENDITURE	100.9	102.0	101.8	102.8	101.9	103.7	104.2	104.8	105.5	104.5

(1) These implicit indexes are currently weighted price indexes. They reflect not only pure price changes, but also changing expenditure patterns within and between major groups. Quarter to quarter comparisons based on the seasonally adjusted data are less subject to the problem of shifting weights than are similar comparisons based on data unadjusted for seasonality, and therefore may be used as indicators of price change.

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1958-62(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

1960					1961					1962					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
22,132	22,228	22,440	22,628	22,357	22,580	23,008	23,276	23,416	23,070	23,912	23,828	23,784	24,136	23,915	1
11,324	11,348	11,520	11,548	11,435	11,544	11,820	11,808	12,036	11,802	12,308	12,136	12,256	12,296	12,249	2
2,584	2,576	2,548	2,640	2,587	2,516	2,620	2,828	2,708	2,668	2,912	2,912	2,732	2,996	2,888	3
8,224	8,304	8,372	8,440	8,335	8,520	8,568	8,640	8,672	8,600	8,692	8,780	8,796	8,844	8,778	4
6,216	6,092	6,436	6,276	6,255	6,472	6,464	6,604	6,636	6,544	6,544	6,948	6,836	6,716	6,761	5
6,528	6,172	6,088	6,136	6,231	6,072	6,012	6,176	6,228	6,122	6,268	6,192	6,284	6,284	6,257	6
1,480	1,280	1,272	1,260	1,323	1,288	1,320	1,364	1,340	1,328	1,376	1,392	1,424	1,396	1,397	7
2,444	2,376	2,400	2,396	2,404	2,424	2,444	2,520	2,584	2,493	2,532	2,440	2,352	2,396	2,430	8
2,604	2,516	2,416	2,480	2,504	2,360	2,248	2,292	2,304	2,301	2,360	2,360	2,508	2,492	2,430	9
816	372	-108	300	345	-292	-56	-480	256	-143	416	396	960	424	549	10
804	276	-180	184	271	8	388	-52	744	272	204	316	760	156	359	11
12	96	72	116	74	-300	-444	-428	-488	-415	212	80	200	268	190	12
7,124	6,672	6,976	6,764	6,884	7,116	7,340	7,584	7,568	7,402	7,536	7,776	7,724	7,880	7,729	13
-8,272	-8,016	-7,880	-7,912	-8,020	-8,084	-7,908	-8,148	-8,308	-8,112	-8,248	-8,332	-8,288	-8,008	-8,219	14
-92	300	116	44	92	44	-36	280	272	140	356	220	92	144	203	15
34,452	33,820	34,068	34,236	34,144	33,908	34,824	35,292	36,068	35,023	36,784	37,028	37,392	37,576	37,195	16

TABLE 19. Implicit Price Indexes - Seasonally Adjusted
Gross National Expenditure, (1) 1958-62
(1957 = 100)

1960					1961					1962					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
104.5	105.1	105.2	105.8	105.2	105.9	105.9	106.3	106.4	106.1	106.8	107.4	108.0	108.4	107.7	1
102.4	103.0	103.0	103.7	103.1	103.8	103.7	104.0	103.9	103.9	104.3	104.8	105.4	106.0	105.1	2
103.9	103.6	103.0	102.3	103.2	101.6	101.4	100.8	100.6	101.1	100.5	100.7	101.2	101.1	100.9	3
107.6	108.5	108.9	109.7	108.7	110.1	110.4	111.1	111.7	110.8	112.5	113.2	113.8	114.3	113.5	4
106.6	107.7	108.6	109.1	108.0	109.5	109.5	110.1	111.3	110.1	112.8	113.7	114.5	115.8	114.2	5
106.7	107.3	107.8	107.8	107.4	108.1	108.1	108.4	108.9	108.4	109.9	110.8	111.6	112.2	111.1	6
108.1	109.1	109.4	109.8	109.1	109.6	109.7	109.7	110.1	109.8	111.6	112.4	113.5	114.0	112.9	7
106.9	106.9	107.7	107.3	107.2	107.4	107.7	107.3	108.0	107.6	108.8	109.7	110.0	110.7	109.8	8
105.8	106.8	107.0	107.3	106.7	108.0	107.7	108.7	109.2	108.4	110.0	111.0	112.1	112.7	111.5	9
101.3	102.1	102.0	101.8	101.8	102.1	102.1	103.6	104.5	103.1	105.4	106.4	106.8	107.1	106.4	10
100.7	102.0	102.2	102.7	101.9	103.7	103.6	106.3	107.5	105.3	108.8	110.1	110.3	110.4	109.9	11
105.5	106.1	106.4	106.7	106.2	106.9	106.7	106.8	107.0	106.8	107.5	108.2	109.0	109.8	108.6	12

ANNUAL TABLES

TABLE 20. Business Gross Fixed Capital Formation, by Industry, 1958-62(1)
(millions of dollars)

	1958	1959	1960	1961	1962
1. Agriculture	465	539	550	576	648
)					
)					
2. Fishing and trapping					
3. Forestry	33	48	54	50	53
4. Mining, quarrying, and oil wells	342	342	400	449	478
5. Manufacturing	1,095	1,144	1,178	1,085	1,231
6. Construction	157	145	130	136	143
7. Transportation	967	746	704	645	489
)					
)					
8. Storage					
9. Communication(2)	336	325	377	337	389
10. Electric power, gas and water utilities ...	845	766	688	710	748
11. Trade	356	363	381	307	305
12. Finance, insurance and real estate(3)	1,943	2,001	1,722	1,770	1,885
13. Service(4)	436	475	508	570	585
14. Totals	6,975	6,894	6,692	6,635	6,954

(1) This table is derived from "Private and Public Investment in Canada", publications. Additional detail has been provided by the DBS Business Finance Division, and adjustments have been made to bring the data into line with National Accounting concepts. See reconciliation statement, Table 21. For an industrial distribution of total private and public investment, see Table 1 in the aforementioned publications.

(2) Excludes investment expenditures by the Canadian Broadcasting Corporation, which are included in "Government Expenditure on Goods and Services".

(3) Includes all new residential construction, (exclusive of government other than government business enterprise). See Table 2.

(4) Excludes government departmental expenditures, federal hospital, provincial hospital and school, and municipal school expenditures, which are included with "Government Expenditure on Goods and Services". Investment expenditure of government business enterprises (railway, power commissions, etc.), are included under appropriate industry headings.

TABLE 21. Business Gross Fixed Capital Formation, 1958-62
Reconciliation Statement
(millions of dollars)

	1958	1959	1960	1961	1962
1. Total private and public investment in Canada(1) ...	8,364	8,417	8,262	8,172	8,738
2. Deduct - New residential construction by governments(2)	-19	-18	-13	-9	-10
3. New non-residential construction by governments	-1,237	-1,368	-1,420	-1,368	-1,587
4. New machinery and equipment outlays by governments	-133	-137	-137	-160	-187
5. Business gross fixed capital formation	6,975	6,894	6,692	6,635	6,954

(1) As presented in the publications "Private and Public Investment in Canada".

(2) Excludes residential construction under Veterans' Land Act, construction of veterans' rental housing by Central Mortgage and Housing Corporation, and joint federal-provincial housing (Section 36, National Housing Act) which are included under line 5.

TABLE 22. Exports and Imports of Goods and Services, 1958-62(1)
Reconciliation Statement
(millions of dollars)

	1958	1959	1960	1961	1962
<u>1. Exports of goods and services:</u>					
1. Merchandise exports	4,887	5,150	5,392	5,889	6,364
2. Gold production available for export	160	148	162	162	165
3. Interest and dividends received from non-residents	168	182	173	209	211
4. Other receipts from services rendered to non-residents	1,222	1,312	1,383	1,474	1,608
5. Sub-total - "Current receipts" as per Canadian Balance of International Payments	6,437	6,792	7,110	7,734	8,348
6. Inheritances and immigrants' funds	-97	-109	-102	-103	-124
7. Total "exports of goods and services" as per National Accounts(2)	6,340	6,683	7,008	7,631	8,224
<u>Imports of goods and services:</u>					
8. Merchandise imports	5,066	5,572	5,540	5,716	6,209
9. Interest and dividends paid to non-residents	612	671	653	770	781
10. Other payments for services rendered to non-residents	1,890	2,053	2,160	2,230	2,206
11. Sub-total - "Current payments" as per Canadian Balance of International Payments	7,568	8,296	8,353	8,716	9,196
12. Inheritances and emigrants' funds	-145	-165	-181	-174	-163
13. Total "imports of goods and services" as per National Accounts(2)	7,423	8,131	8,172	8,542	9,033

(1) Data sources are the reports "Canadian Balance of International Payments" (Balance of Payments Section, Dominion Bureau of Statistics), and other information received from the Balance of Payments Section. Figures exclude mutual aid to N.A.T.O. countries.

(2) See also Table 2.

CATALOGUE No.

13-001

QUARTERLY

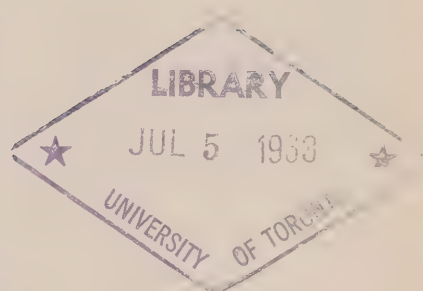
Canada. Statistics. Bureau of



CANADA

**NATIONAL ACCOUNTS
INCOME AND EXPENDITURE
FIRST QUARTER 1963**

Published by Authority of
The Minister of Trade and Commerce



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In order to obtain a complete historical record of the quarterly National Accounts, the following publications should be consulted:

"National Accounts, Income and Expenditure, by Quarters, 1947-61", for the years 1947-58.

"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1962", for the years 1959-61.

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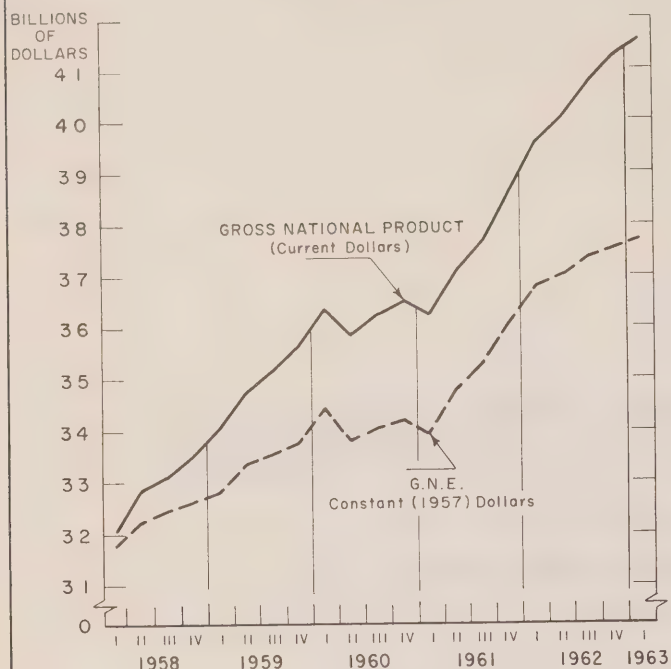
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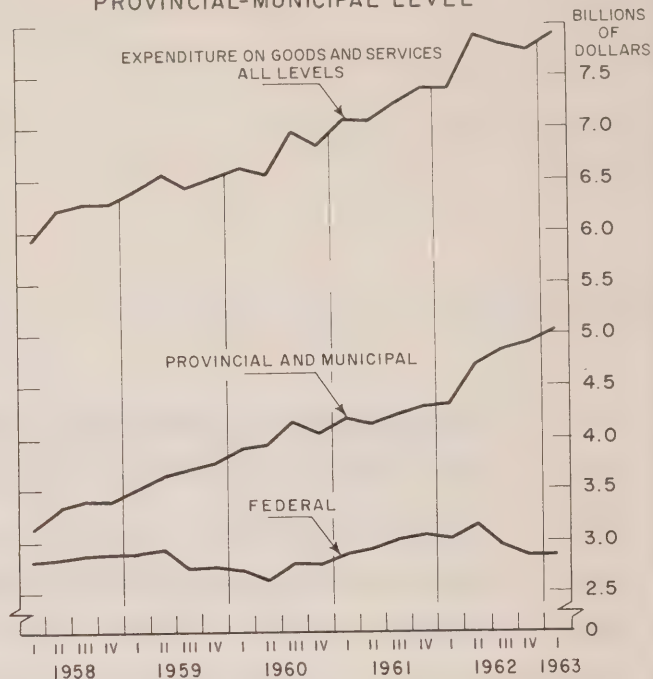
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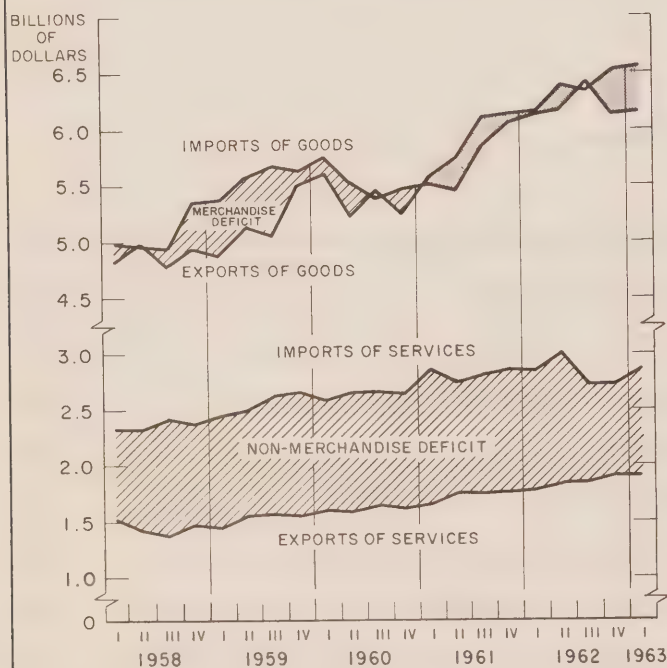
GROSS NATIONAL PRODUCT CONTINUED ITS ADVANCE BUT AT A SOMEWHAT SLOWER RATE THAN IN THE PREVIOUS QUARTER



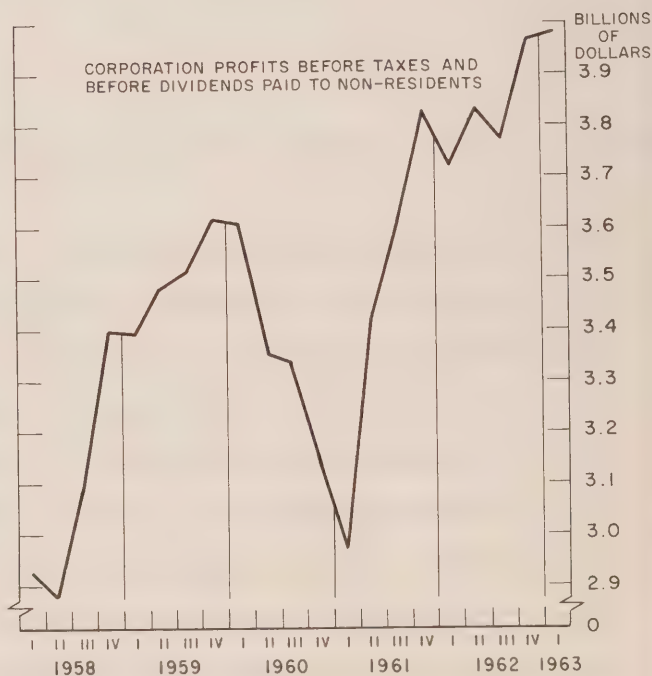
GOVERNMENT EXPENDITURE ON GOODS AND SERVICES ROSE BY ABOUT 2 PERCENT IN THE FIRST QUARTER, WITH MOST OF THE INCREASE AT THE PROVINCIAL-MUNICIPAL LEVEL



THE DEFICIT ON CURRENT ACCOUNT ROSE APPRECIABLY FROM THE EXCEPTIONALLY LOW LEVEL IN THE FOURTH QUARTER, WITH MOST OF THE INCREASE DUE TO HIGHER PAYMENT FOR SERVICES



CORPORATION PROFITS REMAINED AT THE HIGH LEVEL REACHED IN THE PREVIOUS QUARTER



(IN ALL CHARTS DATA ARE SEASONALLY ADJUSTED AND AT ANNUAL RATES)

INTRODUCTORY REVIEW

Gross National Product remained at a high level in the first quarter of 1963; it is estimated at \$41.6 billion, seasonally adjusted at annual rates, compared with \$41.3 billion in the closing quarter of 1962. This increase of close to 1 per cent also reflects some higher prices, leaving only a fractional gain in the volume of the nation's production. But it should be noted that part of the estimated change between the quarters is purely statistical; it assumes a normal crop in contrast to the near record crop of 1962, which in itself involves a reduction from the fourth quarter of approximately \$200 million.^{1/} Non-farm Gross National Product is estimated to have risen about 1 per cent.

The main sources of strength in the economy came from consumer expenditure and government purchases of goods and services. Exceeding the rise in personal disposable income, personal spending advanced somewhat more than 1½ per cent, with purchases of durables remaining at the same high level as in the preceding quarter. The 2 per cent advance in government expenditure on goods and services reflects unchanged Federal government expenditure and a further advance at the provincial-municipal level. However, there was a further contraction in the first quarter in the deficit of all governments combined. Gross business capital formation failed to advance as a drop in housing construction offset some further improvement in outlays for plant and equipment combined. The deficit on external account widened as imports of goods and services rose more than exports, although changes in both receipts and payments were small. Investment in business inventories remained virtually unchanged from the fourth quarter of 1962 and had little impact on the change in production.

The salient developments on the income side were an unusually large advance in labour income and a substantially unchanged level of corporate profits. However, dividends paid to non-residents rose sharply, resulting in a drop in corporate profits as measured for National Income purposes, that is, after deducting dividends paid to non-residents.

Production and Employment

The volume of manufacturing output increased by 1 per cent in the first quarter of 1963 compared with the fourth quarter of 1962. This increase was almost entirely due to the substantial gain in output of non-durables. The 2 per cent increase in non-durables during the first quarter alters a pattern of marginal increases exhibited during the latter half of 1962. It had much of its basis in 4 per cent increases in the output of both food and chemical products. Strength in the former group was broadly-based amongst its components, while in the latter it largely emanated from the acids, alkalies, salts and fertilizers industry, where a major and lengthy strike was settled during the quarter. Paper products fell by 1 per cent, reflecting lower newsprint shipments to strike-affected American newspapers. Gains of about 10 and 4 per cent respectively occurred in the output of rubber and tobacco products. Elsewhere amongst the non-durable manufacturing industry groups, gains and losses were mostly marginal.

The output of durable goods manufacturers was only slightly higher during the quarter, in contrast to the considerable but decreasing gains of the preceding three quarters. The rate of increase evident in 1962 in transportation equipment slowed down during the first quarter of 1963 when a gain of only 1 per cent was recorded. Iron and steel products also increased by 1 per cent, with substantial gains being made in the primary iron and steel and the iron castings industries. Non-ferrous metal product output was up by almost 2 per cent, led by a similar gain in smelting and refining. A small decline occurred in electrical apparatus and supplies while non-metallic mineral products were down by 5 per cent. The output of wood products remained unchanged.

^{1/} The estimates are based on acreage intentions and ten-year average yields. Seasonally adjusted quarterly data are obtained for the crop by dividing the annual crop estimate by four.

Quarter to Quarter Changes in Final Purchases
(Seasonally Adjusted at Annual Rates)
(millions of dollars)

	3Q'59 to 4Q'59	4Q'59 to 1Q'60	1Q'60 to 2Q'60	2Q'60 to 3Q'60	3Q'60 to 4Q'60	4Q'60 to 1Q'61	1Q'61 to 2Q'61	2Q'61 to 3Q'61	3Q'61 to 4Q'61	4Q'61 to 1Q'62	1Q'62 to 2Q'62	2Q'62 to 3Q'62	3Q'62 to 4Q'62	4Q'62 to 1Q'63
1. Personal expenditure	292	144	236	244	324	- 16	452	360	188	620	52	104	472	424
2. Government expenditure	92	92	- 64	428	- 140	240	- 12	192	120	- 4	516	- 76	- 48	144
3. Residential construction ...	32	- 120	- 204	- 4	- 8	28	36	48	- 20	60	28	52	- 24	- 28
4. Non-residential construction	32	- 20	- 72	44	- 12	32	28	72	88	- 36	- 80	- 88	64	84
5. Machinery and equipment	- 144	144	- 68	- 104	76	- 112	- 128	72	24	80	24	192	- 4	- 56
6. Exports of goods & services	428	152	- 404	304	- 228	376	228	364	56	28	332	- 24	188	40
7. Total final purchases	732	392	- 576	912	12	548	604	1,108	456	748	872	160	648	608
8. (Final domestic demand)	(304)	(240)	(- 172)	(608)	(240)	(172)	(376)	(744)	(400)	(720)	(540)	(184)	(460)	(568)

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in non-farm business inventories	- 296	508	- 552	- 456	356	- 176	372	- 416	820	- 576	128	472	- 628	- 20
10. Imports of goods & services	- 36	52	- 156	- 120	68	256	- 184	464	272	40	204	- 32	- 304	188
11. G.N.P. (ex. farm)	532	624	- 456	348	544	- 432	1,000	516	968	452	496	676	672	428

Constant (1957) Dollars

Quarter to Quarter Percentage Changes in Selected Items

12. Final domestic demand	0.4	0.5	- 1.1	1.4	0.2	0.2	1.0	1.6	0.6	1.2	0.7	- 0.2	0.6	0.9
13. Total final purchases	1.3	0.8	- 2.0	1.9	- 0.3	1.0	1.4	1.9	0.5	0.9	1.1	- 0.3	0.9	0.8
14. Gross National Expenditure	0.7	2.0	- 1.8	0.7	0.5	- 1.0	2.7	1.3	2.2	2.0	0.7	1.0	0.5	0.6

Among other goods-producing industries, related indicators suggest a substantial increase in forestry and a small gain in construction activity. Mining was virtually unchanged during the quarter, following a slight decline during the previous quarter. Increases in metal and non-metal mining were mostly offset by a decrease in the output of fuels. Within metal mining, movements were generally slight with the exception of higher iron ore output and a drop of 7 per cent in copper output.

Among the service-producing industries, related data suggest that gains occurred in transportation and trade.

The labour market continued to improve in the opening quarter of 1963. According to the Labour Force Survey, employment in total was fractionally higher than in the closing quarter of 1962, when seasonal factors are taken into account, and employment in the non-farm sector was up more than employment as a whole. With little change in the total labour force and an increase in employment, seasonally adjusted unemployment declined from 5.9 per cent of the labour force in the fourth quarter of 1962 to 5.7 per cent in the first quarter of 1963.

Statistics of employment by industry based on the survey of establishments having 15 or more employees provide additional data on the employment situation. Seasonally adjusted data for most major industries covered in the establishment survey indicate at least some gain in employment; mining is the only exception. Hours of work in manufacturing appear to have remained about the same.

The Components of Demand

The first quarter of 1963 marked a further expansion in consumer spending from the plateau recorded in the first and second quarters of the previous year, and yielded an increase that, at 1½ per cent, slightly exceeded the average rate of growth for the past five years. Since personal disposable income improved by slightly less than 1 per cent, consumers lowered their rate of personal savings somewhat to achieve these expenditures. With relatively stable prices, this increase in spending in large part represents gains in real consumption.

Durable goods showed no change from the previous quarter as purchases of new and used cars did not repeat the large increase recorded in the previous quarter and other durable goods showed mixed trends.

Among the non-durable goods, which showed a rate of increase coinciding with total personal expenditure, increases were recorded in food, auto parts and accessories, fuel including gas, and electricity, while clothing, gasoline, oils and grease recorded some decreases.

Expenditures on services, increasing by almost 2½ per cent, showed greater strength than they have for several years. Expenditures on personal services, purchased transportation, recreation, and shelter, rose. It may be noted that tourist expenditures by Canadians travelling abroad also increased after the slowdown which was apparent in this category in the two previous quarters. These increases were partially dampened, among other things, by a 2 per cent decline in user-operated transportation.

Spending on fixed capital in total showed no change in the first quarter of 1963, with the rise in non-residential construction being offset by declines in housing and in machinery and equipment; at a seasonally adjusted annual rate, the level remained at \$7,052 million.

The value of new housing dropped by almost 2 per cent to a level of \$1,564 million. Although new housing starts were strong in the first quarter, rising by 7 per cent to an annual rate of 135,400 after seasonal adjustment, the level of completions, which fell 10 per cent to an annual rate of 118,900, tended to lower the value of work done.

Total business spending of \$5,488 million on plant and machinery rose fractionally from the fourth quarter. At a level of \$2,736 million, the spending on non-residential building and engineering rose by over 3 per cent, but this increase was partly offset by a decline of 2 per cent in investment in machinery and equipment on which outlays fell to \$2,752 million. Although business spending in the first quarter on fixed capital other than housing is almost 6½ per cent above the first quarter of 1961, the advance has been hesitant and the level achieved is still below that of the annual average level for 1957.

The first quarter estimate of total business gross fixed capital formation falls considerably short of the \$7,267 million anticipated expenditures for the full year and indicates some increases during the remainder of the year, particularly in non-residential construction and machinery and equipment, if the anticipated expenditures are to be attained.

With the exception of the third quarter, additions to stocks in the hands of businessmen made little contribution to the level of economic activity during 1962. This situation persisted into the opening months of 1963. Investment in inventories in the first quarter of 1963 is estimated at \$152 million, seasonally adjusted at annual rates, almost the same as in the closing months of 1962. Most of the accumulation took place in trade, and in retail trade in particular; manufacturers drew down their stocks.

While changes in stocks in non-durable retail trades were mixed, the overall result was a considerable accumulation, a large part of which was in stocks of food. Most of the durable trades liquidated stocks, with the important exception of motor vehicle dealers, whose stock build-up made for accumulation in the durable trades as a group. An accumulation of stocks in retail trade in the first quarter raised the stocks-to-sales ratio.

Stocks were built up in wholesale trade in the first quarter of 1963, but on a much smaller scale than in the preceding quarter, thereby reducing the stocks-to-sales ratio.

Manufacturing industries shifted from accumulation in the fourth quarter of 1962 to liquidation in the first quarter of 1963. Liquidation was widespread in both durable and non-durable lines, and was apparent at all stages of production. The drawing down of stocks took place against a background of rising shipments and new orders. The stocks-to-sales ratio was somewhat reduced from the previous quarter.

A fractionally higher level of both imports and exports of merchandise, with increased payments and unchanged receipts from non-merchandise transactions, led to a larger import balance in the first quarter of the year after allowance for seasonal influences.

The deficit on current account transactions totalled \$552 million, as total exports of goods and services rose by approximately half a per cent to an annual rate of \$8,476 million and imports of goods and services rose by 2 per cent to an annual rate of \$9,028 million.

The export balance from merchandise trade remained virtually unchanged from the fourth quarter and, at annual rates after allowance for seasonal factors, was approximately \$400 million. Merchandise exports, adjusted for balance of payments and national accounts purposes, rose by just over half of one per cent to an annual rate of \$6,564 million, while merchandise imports rose in the first quarter by about three-quarters of one per cent to an annual rate of \$6,168 million.

The deficit arising from services and non-merchandise items rose in the first quarter to a seasonally adjusted annual rate of almost \$950 million from the unusually low annual rate of just over \$800 million in the preceding quarter. The impetus for this increase came mainly from increases in payments of interest and dividends, heavier expenditures by Canadians abroad and an increase in payments for miscellaneous services, which raised total payments to an annual rate of \$2,860 million, 5 per cent above the fourth quarter. Receipts from services were unchanged from the fourth quarter at a seasonally adjusted annual rate of \$1,912 million, and the changes which occurred within the components were small.

Government Sector

Expenditures on goods and services of all levels of government combined, at a seasonally adjusted rate of \$7,920 million in the first quarter, rose about 2 per cent from the fourth quarter of 1962, regaining the level reached in the second quarter of that year. The increase reflects primarily the steady growth in the spending of provincial and municipal governments; their participation in the vocational school construction programme initiated by the Federal government has been a factor in this growth.

Federal expenditures on goods and services levelled out from the fourth to the first quarter, after declining steadily from the second quarter of last year. Defence expenditures dropped sharply, by 10 per cent, from the preceding quarter, but this decline was offset by a corresponding increase in non-defence outlays, the latter reflecting the retroactive payments for wage and salary increases, higher investment-type spending from the irregularly low fourth quarter and larger payments from the Colombo Plan Fund. Federal expenditures other than goods and services declined by almost 4 per cent. The largest portion of the drop was attributable to a decline in subsidies; the fourth quarter had reflected substantial interim payments to the railway systems.

Although personal and corporate income tax revenues rose appreciably, total revenues of the Federal government declined by 1 per cent because of the lower trading profits of government enterprises and smaller indirect tax revenues from excise taxes and customs duties, as some of the temporary surcharges on imports were removed. Total expenditures of the Federal government were also smaller with the result that the deficit of \$244 million in the fourth quarter was reduced in the first quarter to \$164 million, seasonally adjusted at annual rates.

The deficit of the provincial-municipal levels of government combined decreased, as increased revenues more than offset the rise in expenditures.

Income Flows

Labour income in the first quarter of 1963 is estimated at \$21.3 billion on a seasonally adjusted basis, somewhat more than 2.5 per cent higher than in the fourth quarter of 1962. Part of this increase reflects retroactive payments of wages and salaries to Federal government employees.

The recent quarterly increase in labour income is unusually large. Only two such increases have been recorded since the boom year 1956. Both occurred in 1959 and both reflected special factors such as retroactive payments and the conclusion of industrial disputes.

In the goods-producing industries the quarter-to-quarter increase was somewhat more than 2 per cent, compared with 3 per cent in the service -producing industries. The latter increase was heavily weighted by the retroactive payments, already referred to, while the quarter-to-quarter change in the goods-producing industries reflected relatively large increases in the primary industries and construction.

Corporation profits (before taxes and before dividends paid to non-residents) remained virtually unchanged from the fourth quarter of 1962, remaining at the record annual rate of \$4.0 billion on a seasonally adjusted basis, or about 34 per cent over the cyclical trough in the first quarter of 1961.

Retail and wholesale trade showed some gains which were mostly offset by declines in the service, and transportation, storage and communication groups. Within manufacturing, however, strength was apparent in food and beverages, and petroleum and coal products, but was offset by downward movements in textiles, rubber, and electrical products industries.

Dividends paid to non-residents increased substantially, by about 13 per cent, so that corporation profits measured in Gross National Product declined by about 2 per cent.

Rent, interest and miscellaneous investment income, seasonally adjusted, declined by 2 per cent from the fourth quarter of 1962 to the first quarter of 1963 as a result of a fall in trading profits of Federal government business enterprises. This downward movement is largely attributable to the irregularly high level of profits recorded in these enterprises in the fourth quarter of 1962 when the railways received interim subsidies.

Net income of non-farm unincorporated business increased over 3 per cent, seasonally adjusted, in the first quarter of 1963 from the fourth quarter of 1962 level. Net income from retail trade, transportation, and fishing increased quite sharply in the quarter. Declines in net income were registered in the construction, manufacturing, forestry, mining, and recreation service groups; all other industry groups showed modest increases.

Net income of farm operators from farming operations declined about 23 per cent in the first quarter. The large decline in net income, compared to a smaller decrease in the accrued net income figure, reflects a very sharp decline in participation and equalization payments made by the Canadian Wheat Board.

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963
	I	II	III	IV	Year	I
1. Wages, salaries, and supplementary labour income	4,792	5,095	5,272	5,200	20,359	5,114
2. Military pay and allowances	147	152	145	142	586	136
3. Corporation profits before taxes	771	1,047	985	1,021	3,824	826
4. Deduct: Dividends paid to non-residents(1)	- 128	- 148	- 116	- 178	- 570	- 143
5. Rent, interest, and miscellaneous investment income ..	671	676	694	727	2,768	720
6. Accrued net income of farm operators from farm production(2)	29	123	1,188	51	1,391	44
7. Net income of non-farm unincorporated business(3)	486	585	573	736	2,380	502
8. Inventory valuation adjustment(4)	- 27	- 44	- 49	- 12	- 132	- 25
9. NET NATIONAL INCOME AT FACTOR COST	6,741	7,486	8,692	7,687	30,606	7,174
10. Indirect taxes less subsidies	1,254	1,314	1,368	1,325	5,261	1,348
11. Capital consumption allowances and miscellaneous valuation adjustments	1,119	1,197	1,196	1,243	4,755	1,154
12. Residual error of estimate	- 155	- 227	82	79	- 221	- 207
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	8,959	9,770	11,338	10,334	40,401	9,469
14. (Gross national product at market prices excluding accrued net income of farm operators)	(8,930)	(9,647)	(10,150)	(10,283)	(39,010)	(9,425)

(1) Includes the withholding tax applicable to this item.

(2) Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

(3) Includes net income of independent professional practitioners.

(4) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963
	I	II	III	IV	Year	I
1. Personal expenditure on consumer goods and services ..	6,010	6,443	6,274	7,022	25,749	6,299
2. Government expenditure on goods and services(1, 2) ...	1,704	1,827	2,200	1,990	7,721	1,810
3. Business gross fixed capital formation(3)	1,412	1,800	1,931	1,811	6,954	1,455
4. New residential construction	293	392	457	435	1,577	299
5. New non-residential construction	520	643	787	718	2,668	522
6. New machinery and equipment	599	765	687	658	2,709	634
7. Value of physical change in inventories(4)	- 4	- 173	1,048	- 306	565	- 69
8. Non-farm business inventories	245	- 45	132	43	375	199
9. Farm inventories and grain in commercial channels ..	- 249	- 128	916	- 349	190	- 268
10. Exports of goods and services	1,728	2,072	2,246	2,178	8,224	1,830
11. Deduct: Imports of goods and services	- 2,047	- 2,425	- 2,278	- 2,283	- 9,033	- 2,062
12. Residual error of estimate	156	226	- 83	- 78	221	206
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	8,959	9,770	11,338	10,334	40,401	9,469

(1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

(2) For details of defence expenditure see line 3, Table 6.

(3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

(4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Source of Personal Income, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963
	I	II	III	IV	Year	I
1. Wages, salaries, and supplementary labour income	4,792	5,095	5,272	5,200	20,359	5,114
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 199	- 196	- 209	- 212	- 816	- 209
3. Military pay and allowances	147	152	145	142	586	136
4. Net income received by farm operators from farm production(1)	1	222	1,149	30	1,402	12
5. Net income of non-farm unincorporated business	486	585	573	736	2,380	502
6. Interest, dividends, and net rental income of persons(2)	726	787	773	900	3,186	789
Transfer payments to persons:						
7. From government (excluding interest)	1,075	885	835	857	3,652	1,078
8. Charitable contributions by corporations	9	12	12	12	45	10
9. PERSONAL INCOME	7,037	7,542	8,550	7,665	30,794	7,432

(1) This item differs from line 6, Table 1, by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 4. Disposition of Personal Income, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963
	I	II	III	IV	Year	I
1. Personal direct taxes	625	719	674	696	2,714	683
2. Income taxes	498	627	587	599	2,311	557
3. Succession duties and estate taxes	42	40	43	41	166	37
4. Miscellaneous	85	52	44	56	237	89
5. Personal expenditure on consumer goods and services ..	6,010	6,443	6,274	7,022	25,749	6,299
6. Non-durable goods	2,934	3,085	3,199	3,659	12,877	3,045
7. Durable goods	643	826	621	823	2,913	674
8. Services(1)	2,433	2,532	2,454	2,540	9,959	2,580
9. Personal net saving	402	380	1,602	- 53	2,331	450
10. Personal saving excluding change in farm inventories ..	580	413	762	427	2,182	696
11. Value of physical change in farm inventories	- 178	- 33	840	- 480	149	- 246
12. PERSONAL INCOME	7,037	7,542	8,550	7,665	30,794	7,432
13. (Personal disposable income)(2)	(6,412)	(6,823)	(7,876)	(6,969)	(28,080)	(6,749)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 5. Government Revenue, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963
	I	II	III	IV	Year	I
1. Direct taxes - Persons	625	719	674	696	2,714	683
2. Federal	468	563	526	531	2,088	488
3. Provincial and municipal	157	156	148	165	626	195
4. Direct taxes - Corporations	379	470	443	458	1,750	400
5. Federal	288	357	336	347	1,328	304
6. (Federal tax collections)	(317)	(367)	(322)	(288)	(1,294)	(305)
7. Provincial	91	113	107	111	422	96
8. (Provincial tax collections)	(91)	(79)	(100)	(91)	(361)	(111)
Withholding taxes:						
9. Federal	26	35	23	41	125	31
10. Indirect taxes	1,314	1,381	1,431	1,426	5,552	1,401
11. Federal	528	596	635	641	2,400	550
12. Provincial and municipal	786	785	796	785	3,152	851
13. Investment income	270	291	276	374	1,211	280
14. Federal	79	111	90	168	448	88
15. Provincial and municipal	191	180	186	206	763	192
16. Employer and employee contributions to social insurance and government funds	199	196	209	212	816	209
17. Federal	128	122	133	135	518	132
18. Provincial and municipal	71	74	76	77	298	77
Transfers from Federal:						
19. Provincial and municipal	300	256	278	302	1,136	302
20. TOTAL REVENUE	3,113	3,348	3,334	3,509	13,304	3,306
21. FEDERAL	1,517	1,784	1,743	1,863	6,907	1,593
22. PROVINCIAL and MUNICIPAL	1,596	1,564	1,591	1,646	6,397	1,713

TABLE 6. Government Expenditure, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963
	I	II	III	IV	Year	I
1. Goods and services	1,704	1,827	2,200	1,990	7,721	1,810
2. Federal	751	770	772	715	3,008	702
3. (Defence)	(471)	(401)	(398)	(410)	(1,680)	(415)
4. Provincial and municipal	953	1,057	1,428	1,275	4,713	1,108
5. Transfer payments to persons (excluding interest on the public debt)	1,075	885	835	857	3,652	1,078
6. Federal	665	524	453	480	2,122	629
7. Provincial and municipal	410	361	382	377	1,530	449
8. Interest on the public debt	242	323	269	440	1,274	255
9. Federal	157	199	189	310	855	163
10. Provincial and municipal	85	124	80	130	419	92
11. Subsidies	60	67	63	101	291	53
12. Federal	57	63	50	90	260	51
13. Provincial	3	4	13	11	31	2
Transfers to other levels of government:						
14. Federal	300	256	278	302	1,136	302
15. Total expenditure	3,381	3,358	3,645	3,690	14,074	3,498
16. Federal	1,930	1,812	1,742	1,897	7,381	1,847
17. Provincial and municipal	1,451	1,546	1,903	1,793	6,693	1,651
18. Deficit (-) or surplus (+)	- 268	- 10	- 311	- 181	- 770	- 192
19. Federal	- 413(1)	- 28	1	- 34	- 474	- 254
20. Provincial and municipal	145(1)	18	- 312	- 147	- 296	62
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	3,113	3,348	3,334	3,509	13,304	3,306
22. FEDERAL	1,517	1,784	1,743	1,863	6,907	1,593
23. PROVINCIAL and MUNICIPAL	1,596	1,564	1,591	1,646	6,397	1,713

(1) In this quarter the federal deficit is irregularly high by about \$75 million and the provincial - municipal surplus also correspondingly high as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements.

TABLE 7. Source of National Saving, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963
	I	II	III	IV	Year	I
1. Personal net saving	402	380	1,602	- 53	2,331	450
2. Business gross saving	1,293	1,401	1,540	1,489	5,723	1,334
3. Undistributed corporation profits	146	303	305	225	979	148
4. Capital consumption allowances and miscellaneous valuation adjustments	1,119	1,197	1,196	1,243	4,755	1,154
5. Adjustment on grain transactions(1)	28	- 99	39	21	- 11	32
6. Inventory valuation adjustment	- 27	- 44	- 49	- 12	- 132	- 25
7. Government surplus (+) or deficit (-)	- 268	- 10	- 311	- 181	- 770	- 192
8. Residual error of estimate	- 155	- 227	82	79	- 221	- 207
9. Totals	1,245	1,500	2,864	1,322	6,931	1,360

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 8. Disposition of National Saving, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963
	I	II	III	IV	Year	I
1. Business gross fixed capital formation	1,412	1,800	1,931	1,811	6,954	1,455
2. New residential construction	293	392	457	435	1,577	299
3. New non-residential construction	520	643	787	718	2,668	522
4. New machinery and equipment	599	765	687	658	2,709	634
5. Value of physical change in inventories	- 4	- 173	1,048	- 306	565	- 69
6. Surplus (+) or deficit (-) on current account with non-residents	- 319	- 353	- 32	- 105	- 809	- 232
7. Residual error of estimate	156	226	- 83	- 78	221	206
8. Totals	1,245	1,500	2,864	1,322	6,931	1,360

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1962 and 1963(1)
(millions of dollars)

	1962					1963
	I	II	III	IV	Year	I
1. Personal expenditure on consumer goods and services	5,627	6,000	5,795	6,493	23,915	5,795
2. Non-durable goods	2,820	2,947	3,026	3,456	12,249	2,873
3. Durable goods	638	818	619	813	2,888	667
4. Services	2,169	2,235	2,150	2,224	8,778	2,255
5. Government expenditure on goods and services	1,440	1,611	2,000	1,710	6,761	1,472
6. Business gross fixed capital formation	1,282	1,622	1,733	1,620	6,257	1,287
7. New residential construction	263	348	403	383	1,397	261
8. New non-residential construction	475	585	718	652	2,430	465
9. New machinery and equipment	544	689	612	585	2,430	561
10. Change in inventories	41	- 183	953	- 262	549	- 30
11. Non-farm business inventories	245	- 48	117	45	359	194
12. Farm inventories and grain in commercial channels	- 204	- 135	836	- 307	190	- 224
13. Exports of goods and services	1,646	1,944	2,104	2,035	7,729	1,709
14. Deduct: Imports of goods and services	- 1,887	- 2,197	- 2,060	- 2,075	- 8,219	- 1,848
15. Residual error of estimate	144	208	- 77	- 72	203	186
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	8,293	9,005	10,448	9,449	37,195	8,571

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, derived by dividing the value figures in Table 2 by the constant dollar figures in Table 9, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963
	I	II	III	IV	Year	I
1. Wages, salaries, and supplementary labour income	19,940	20,268	20,500	20,728	20,359	21,272
2. Military pay and allowances	600	588	600	556	586	548
3. Corporation profits before taxes	3,720	3,836	3,772	3,968	3,824	3,984
4. Deduct: Dividends paid to non-residents(1)	- 576	- 636	- 512	- 556	- 570	- 628
5. Rent, interest, and miscellaneous investment income ..	2,692	2,732	2,720	2,928	2,768	2,868
6. Accrued net income of farm operators from farm production(2)	1,416	1,420	1,452	1,276	1,391	1,180
7. Net income of non-farm unincorporated business(3)	2,432	2,360	2,344	2,384	2,380	2,464
8. Inventory valuation adjustment	- 108	- 176	- 196	- 48	- 132	- 100
9. NET NATIONAL INCOME AT FACTOR COST	30,116	30,392	30,680	31,236	30,606	31,588
10. Indirect taxes less subsidies	5,152	5,192	5,424	5,276	5,261	5,532
11. Capital consumption allowances and miscellaneous valuation adjustments	4,660	4,704	4,756	4,900	4,755	4,820
12. Residual error of estimate	- 380	- 240	- 104	- 160	- 221	- 356
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	39,548	40,048	40,756	41,252	40,401	41,584
14. (Gross national product at market prices excluding accrued net income of farm operators)	(38,132)	(38,628)	(39,304)	(39,976)	(39,010)	(40,404)

(1) See footnote 1, Table 1.

(2) Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

(3) Includes net income of independent professional practitioners.

TABLE 11. Gross National Expenditure, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963
	I	II	III	IV	Year	I
1. Personal expenditure on consumer goods and services ..	25,540	25,592	25,696	26,168	25,749	26,592
2. Government expenditure on goods and services(1, 2) ..	7,384	7,900	7,824	7,776	7,721	7,920
3. Business gross fixed capital formation(3)	6,888	6,860	7,016	7,052	6,954	7,052
4. New residential construction	1,536	1,564	1,616	1,592	1,577	1,564
5. New non-residential construction	2,756	2,676	2,588	2,652	2,668	2,736
6. New machinery and equipment	2,596	2,620	2,812	2,808	2,709	2,752
7. Value of physical change in inventories	384	360	1,016	500	565	216
8. Non-farm business inventories	200	328	800	172	375	152
9. Farm inventories and grain in commercial channels(4)	184	32	216	328	190	64
10. Exports of goods and services	7,940	8,272	8,248	8,436	8,224	8,476
11. Deduct: Imports of goods and services	- 8,972	- 9,176	- 9,144	- 8,840	- 9,033	- 9,028
12. Residual error of estimate	384	240	100	160	221	356
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	39,548	40,048	40,756	41,252	40,401	41,584

Detail of Farm Inventories and GICC:

Value of grain crop production	1,172	1,176	1,176	1,176	1,175	996
Depletions of farm stocks of grain	- 856	- 872	- 1,104	- 1,364	- 1,049	- 1,180
Change in livestock inventories	28	24	52	- 12	23	- 56
Grain in commercial Channels	- 160	- 296	92	528	41	304

(1) See footnote 1, Table 2.

(2) For details of defence expenditures, see line 3, Table 15.

(3) See footnote 3, Table 2.

(4) In the seasonally adjusted series, the value of grain production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 2, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 12. Source of Personal Income, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963
	I	II	III	IV	Year	I
1. Wages, salaries, and supplementary labour income	19,940	20,268	20,500	20,728	20,359	21,272
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 792	- 812	- 828	- 832	- 816	- 832
3. Military pay and allowances	600	588	600	556	586	548
4. Net income received by farm operators from farm production(1)	1,200	1,792	1,340	1,276	1,402	984
5. Net income of non-farm unincorporated business	2,432	2,360	2,344	2,384	2,380	2,464
6. Interest, dividends, and net rental income of persons(2)	3,020	3,192	3,204	3,328	3,186	3,288
Transfer payments to persons:						
7. From government (excluding interest)	3,760	3,572	3,596	3,680	3,652	3,712
8. Charitable contributions by corporations	44	44	44	48	45	48
9. PERSONAL INCOME	30,204	31,004	30,800	31,168	30,794	31,484

- (1) This item differs from line 6, Table 10 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.
(2) Includes all government debt interest paid to persons.

TABLE 13. Disposition of Personal Income, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963
	I	II	III	IV	Year	I
1. Personal direct taxes	2,640	2,652	2,752	2,812	2,714	2,884
2. Income taxes	2,220	2,272	2,348	2,404	2,311	2,476
3. Succession duties and estate taxes	168	160	172	164	166	148
4. Miscellaneous	252	220	232	244	237	260
5. Personal expenditure on consumer goods and services ..	25,540	25,592	25,696	26,168	25,749	26,592
6. Non-durable goods	12,832	12,724	12,920	13,032	12,877	13,224
7. Durable goods	2,928	2,932	2,764	3,028	2,913	3,028
8. Services(1)	9,780	9,936	10,012	10,108	9,959	10,340
9. Personal net saving	2,024	2,760	2,352	2,188	2,331	2,008
10. PERSONAL INCOME	30,204	31,004	30,800	31,168	30,794	31,484
11. (Personal disposable income)(2)	(27,564)	(28,352)	(28,048)	(28,356)	(28,080)	(28,600)

- (1) Includes net expenditure abroad.
(2) Personal Income less Total Personal Direct Taxes.

TABLE 14. Government Revenue, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963
	I	II	III	IV	Year	I
1. Direct taxes - Persons	2,640	2,652	2,752	2,812	2,714	2,884
2. Federal	2,072	2,040	2,104	2,136	2,088	2,184
3. Provincial and municipal	568	612	648	676	626	700
4. Direct taxes - Corporations	1,768	1,768	1,700	1,764	1,750	1,816
5. Federal	1,356	1,348	1,296	1,312	1,328	1,380
6. (Federal tax collections)	(1,368)	(1,296)	(1,252)	(1,260)	(1,294)	(1,312)
7. Provincial	412	420	404	452	422	436
8. (Provincial tax collections)	(324)	(304)	(404)	(412)	(361)	(412)
Withholding taxes:						
9. Federal	104	144	112	140	125	124
10. Indirect taxes	5,424	5,464	5,648	5,672	5,552	5,776
11. Federal	2,316	2,324	2,480	2,480	2,400	2,404
12. Provincial and municipal(1)	3,108	3,140	3,168	3,192	3,152	3,372
13. Investment income	1,192	1,200	1,148	1,304	1,211	1,240
14. Federal	408	444	388	552	448	440
15. Provincial and municipal	784	756	760	752	763	800
16. Employer and employee contributions to social insurance and government pension funds	792	812	828	832	816	832
17. Federal	508	516	524	524	518	524
18. Provincial and municipal	284	296	304	308	298	308
Transfers from federal:						
19. Provincial and municipal	1,184	1,004	1,156	1,200	1,136	1,188
20. TOTAL REVENUE	13,104	13,044	13,344	13,724	13,304	13,860
21. FEDERAL	6,764	6,816	6,904	7,144	6,907	7,056
22. PROVINCIAL and MUNICIPAL	6,340	6,228	6,440	6,580	6,397	6,804

(1) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 15. Government Expenditure, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963
	I	II	III	IV	Year	I
1. Goods and services	7,384	7,900	7,824	7,776	7,721	7,920
2. Federal	3,032	3,188	2,952	2,860	3,008	2,868
3. (Defence)	(1,684)	(1,744)	(1,644)	(1,648)	(1,680)	(1,484)
4. Provincial and municipal	4,352	4,712	4,872	4,916	4,713	5,052
5. Transfer payments to persons (excluding interest on the public debt)	3,760	3,572	3,596	3,680	3,652	3,712
6. Federal	2,312	2,088	2,032	2,056	2,122	2,112
7. Provincial and municipal	1,448	1,484	1,564	1,624	1,530	1,600
8. Interest on the public debt	1,172	1,320	1,260	1,344	1,274	1,272
9. Federal	772	912	828	908	855	836
10. Provincial and municipal	400	408	432	436	419	436
11. Subsidies	272	272	224	396	291	244
12. Federal	244	240	192	364	260	216
13. Provincial	28	32	32	32	31	28
Transfers to other levels of government:						
14. Federal	1,184	1,004	1,156	1,200	1,136	1,188
15. Total expenditure	13,772	14,068	14,060	14,396	14,074	14,336
16. Federal	7,544	7,432	7,160	7,388	7,381	7,220
17. Provincial and municipal	6,228	6,636	6,900	7,008	6,693	7,116
18. Deficit (-) or surplus (+)	- 668	- 1,024	- 716	- 672	- 770	- 476
19. Federal	- 780(1)	- 616	- 256	- 244	- 474	- 164
20. Provincial and municipal	112(1)	- 408	- 460	- 428	- 296	- 312
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	13,104	13,044	13,344	13,724	13,304	13,860
22. FEDERAL	6,764	6,816	6,904	7,144	6,907	7,056
23. PROVINCIAL and MUNICIPAL	6,340	6,228	6,440	6,580	6,397	6,804

(1) In this quarter the federal deficit is irregularly high by about \$300 million and the provincial-municipal deficit correspondingly low as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements.

TABLE 16. Source of National Saving, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963
	I	II	III	IV	Year	I
1. Personal net saving	2,024	2,760	2,352	2,188	2,331	2,008
2. Business gross saving	5,756	5,236	5,900	6,000	5,723	5,996
3. Undistributed corporation profits	880	904	1,032	1,100	979	980
4. Capital consumption allowances and miscellaneous valuation adjustments	4,660	4,704	4,756	4,900	4,755	4,820
5. Adjustment on grain transactions(1)	216	- 372	112	-	- 11	196
6. Inventory valuation adjustment	- 108	- 176	- 196	- 48	- 132	- 100
7. Government surplus (+) or deficit (-)	- 668	- 1,024	- 716	- 672	- 770	- 476
8. Residual error of estimate	- 380	- 240	- 104	- 160	- 221	- 356
9. Totals	6,624	6,556	7,236	7,308	6,931	7,072

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 17. Disposition of National Saving, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963
	I	II	III	IV	Year	I
1. Business gross fixed capital formation	6,888	6,860	7,016	7,052	6,954	7,052
2. New residential construction	1,536	1,564	1,616	1,592	1,577	1,564
3. New non-residential construction	2,756	2,676	2,588	2,652	2,668	2,736
4. New machinery and equipment	2,596	2,620	2,812	2,808	2,709	2,752
5. Value of physical change in inventories	384	360	1,016	500	565	216
6. Surplus (+) or deficit (-) on current account with non-residents	- 1,032	- 904	- 896	- 404	- 809	- 552
7. Residual error of estimate	384	240	100	160	221	356
8. Totals	6,624	6,556	7,236	7,308	6,931	7,072

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1962 and 1963(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963
	I	II	III	IV	Year	I
1. Personal expenditure on consumer goods and services	23,912	23,828	23,784	24,136	23,915	24,464
2. Non-durable goods	12,308	12,136	12,256	12,296	12,249	12,456
3. Durable goods	2,912	2,912	2,732	2,996	2,888	3,000
4. Services	8,692	8,780	8,796	8,844	8,778	9,008
5. Government expenditure on goods and services	6,544	6,948	6,836	6,716	6,761	6,764
6. Business gross fixed capital formation	6,268	6,192	6,284	6,284	6,257	6,248
7. New residential construction	1,376	1,392	1,424	1,396	1,397	1,364
8. New non-residential construction	2,532	2,440	2,352	2,396	2,430	2,448
9. New machinery and equipment	2,360	2,360	2,508	2,492	2,430	2,436
10. Change in inventories	416	396	960	424	549	228
11. Non-farm business inventories	204	316	760	156	359	148
12. Farm inventories and grain in commercial channels	212	80	200	268	190	80
13. Exports of goods and services	7,536	7,776	7,724	7,880	7,729	7,884
14. Deduct: Imports of goods and services	- 8,248	- 8,332	- 8,288	- 8,008	- 8,219	- 8,096
15. Residual error of estimate	356	220	92	144	203	324
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	36,784	37,028	37,392	37,576	37,195	37,816

(1) See footnote 1, Table 9.

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QUARTERLY

10
Canada. Statistics, Bureau of



CANADA

NATIONAL ACCOUNTS
INCOME AND EXPENDITURE
SECOND QUARTER 1963



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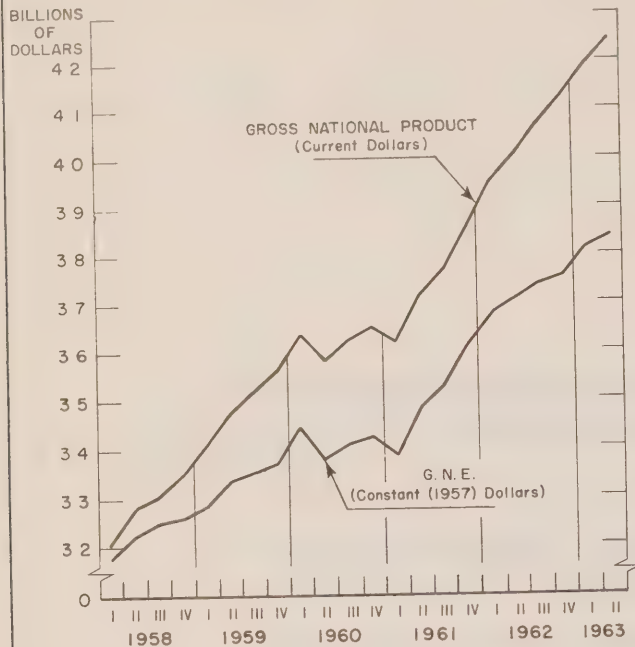
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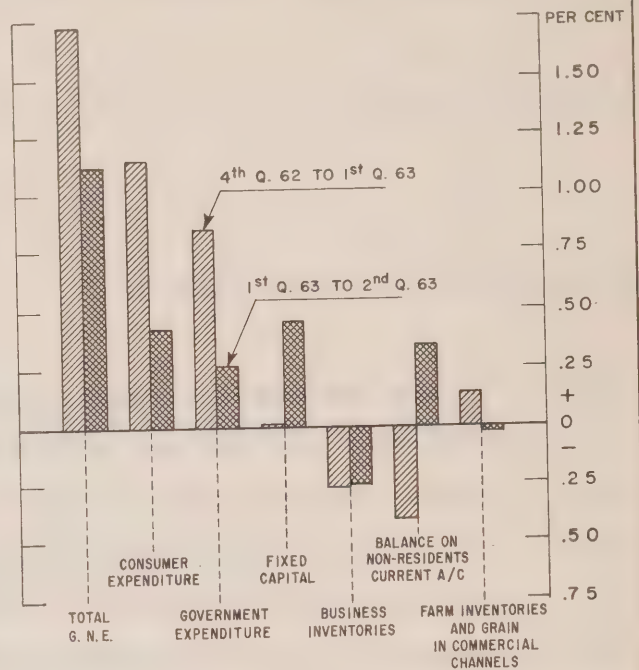
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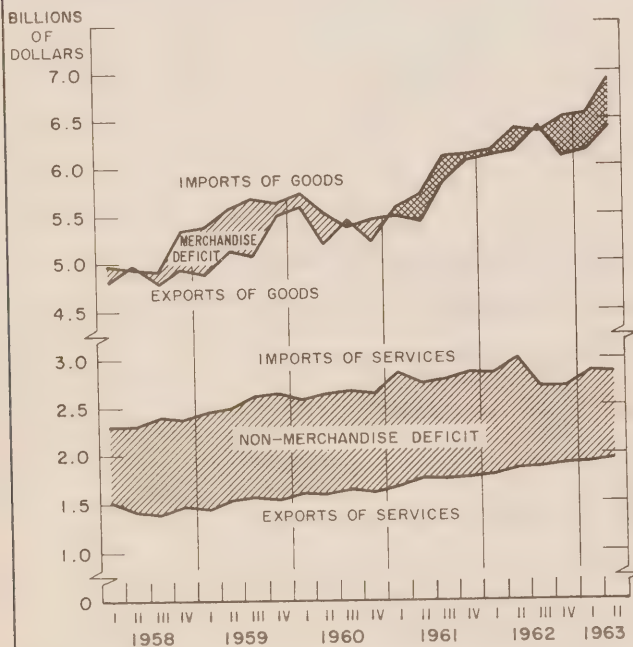
GROSS NATIONAL PRODUCT ROSE BY 1 PER CENT TO REGISTER ITS NINTH CONSECUTIVE QUARTERLY INCREASE



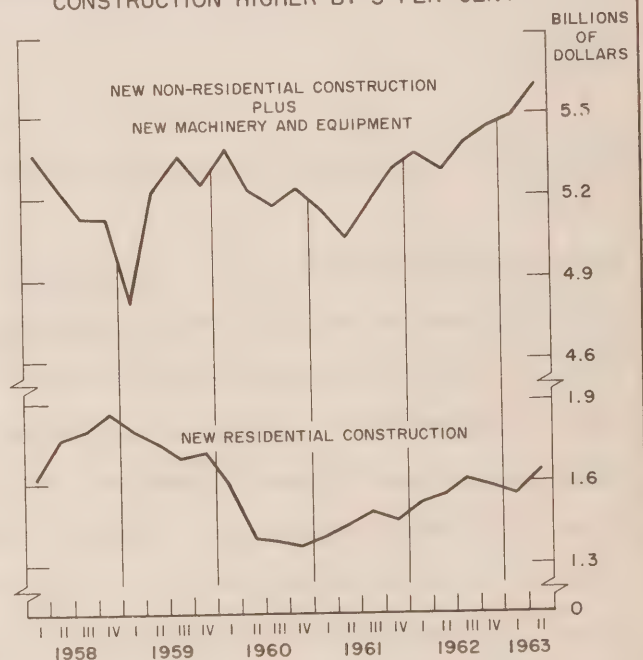
THE MAIN CONTRIBUTORS TO THE OVERALL ADVANCE WERE INCREASED FIXED CAPITAL OUTLAYS, CONSUMER SPENDING AND A REDUCED NET IMPORT BALANCE



STRENGTH IN MERCHANDISE EXPORTS RAISED THE TRADE SURPLUS AND PLAYED A MAJOR ROLE IN REDUCTION OF THE OVERALL DEFICIT



FIXED CAPITAL SHOWED ONE OF THE SHARPEST INCREASES IN THE PRESENT EXPANSIONARY PERIOD WITH RESIDENTIAL CONSTRUCTION HIGHER BY 5 PER CENT



(DATA SEASONALLY ADJUSTED AND AT ANNUAL RATES)

INTRODUCTORY REVIEW

Gross National Product continued to advance in the second quarter of 1963. Estimated at \$42,436 million, seasonally adjusted at annual rates, it was slightly more than 1 per cent higher than the first quarter. Of this increase, about one third reflects a rise in prices, and the remainder a gain in the volume of the nation's production.

The most significant contributions to the increase in demand came from a sharp expansion in exports of merchandise, higher outlays for fixed capital, and increased consumer spending. The expansion in merchandise exports, partly attributable to the recovery of European production after an exceptionally severe winter, was reflected in the highest Canadian trade surplus since 1952 and a decline in the overall deficit on current international account of approximately \$150 million at annual rates. The forward impetus in fixed capital spending came from higher outlays on residential and non-residential construction with a more moderate increase in machinery and equipment; the general advance in this area contrasted with the rather hesitant behaviour which has characterized capital spending in the current expansion. The increase in consumer spending stemmed from the higher level of purchases of durable goods, and from the well established pattern of growth in purchases of services. Government spending on goods and services which moved moderately higher also contributed to the expansion. Inventories were the only weak element in demand; a modest liquidation occurred in the non-farm business sector.

The income side of the accounts in the second quarter shows a slower rate of increase in labour income; corporate profits rose moderately, after having been virtually unchanged in the first quarter, and accrued net farm income from farm production increased. It may be noted that the estimate of the value of the 1963 crop is higher than the long term average assumed in the first quarter estimate.

Personal income rose appreciably more than National Income in the second quarter, largely as a result of the very high payments made to farmers by the Canadian Wheat Board. These payments are among the factors making for a sharp rise in the rate of personal saving in the period. Another feature of the personal account is the drop in personal taxes (partly a result of increased allowances for dependents introduced in 1962). As a consequence, disposable income rose even more than personal income.

The gain in production in the second quarter was accompanied by an increase in employment of over 1 per cent in total and of nearly 2 per cent in the non-farm sector. The rate of unemployment, 5.7 per cent of the labour force, remained unchanged between the two quarters.

The index of industrial production, covering the traditional areas of mining, manufacturing, and electric power and gas utilities was up by almost 2 per cent during the quarter. Manufacturing advanced by a similar amount, but the increase in non-durables was appreciably higher than in durables. Gains in excess of 2 per cent were recorded in mining and of less than 2 per cent in utilities. Within non-durable manufacturing significant increases occurred in textiles, chemicals and paper products. However it should be noted that the latter two groups were adversely affected by industrial disputes in the first quarter. Within durables, all major groups but wood products (which declined) were higher by 1 to 2 per cent in the quarter. Both the iron and steel products and the transportation equipment groups continued their expansionary movements of the past several quarters.

Developments recorded thus far in the year may also be viewed in the light of the economic situation in the first half of 1962. In this comparison Gross National Product was up 6 per cent in current dollars and about 4 per cent in real terms. All major components except business inventories contributed to the gain in total expenditure. The area of greatest strength was the external sector, with exports substantially higher and imports not much changed -- in fact, slightly lower if the price factor is taken into account. Consumer spending was also strong. The behaviour of business inventories presents a contrast in the year-to-year comparison; the building up of stocks was of some consequence in the first half of 1962 and negligible in the first half of the current year.

Quarter to Quarter Changes in Final Purchases
(Seasonally Adjusted at Annual Rates)
(millions of dollars)

	4Q'59 to 1Q'60	1Q'60 to 2Q'60	2Q'60 to 3Q'60	3Q'60 to 4Q'60	4Q'60 to 1Q'61	1Q'61 to 2Q'61	2Q'61 to 3Q'61	3Q'61 to 4Q'61	4Q'61 to 1Q'62	1Q'62 to 2Q'62	2Q'62 to 3Q'62	3Q'62 to 4Q'62	4Q'62 to 1Q'63	1Q'63 to 2Q'63
1. Personal expenditure	144	236	244	324	- 16	452	360	188	620	52	104	472	476	180
2. Government expenditure	92	- 64	428	- 140	240	- 12	192	120	- 4	516	- 76	- 48	352	108
3. Residential construction ...	- 120	- 204	- 4	- 8	28	36	48	- 20	60	28	52	- 24	- 28	76
4. Non-residential construction	- 20	- 72	44	- 12	32	28	72	88	- 36	- 80	- 88	64	32	80
5. Machinery and equipment	144	- 68	- 104	76	- 112	- 128	72	24	80	24	192	- 4	-	40
6. Exports of goods & services	152	- 404	304	- 228	376	228	364	56	28	332	- 24	188	44	384
7. Total final purchases	392	- 576	912	12	548	604	1,108	456	748	872	160	648	876	868
8. (Final domestic demand)	(240)	(- 172)	(608)	(240)	(172)	(376)	(744)	(400)	(720)	(540)	(184)	(460)	(832)	(484)

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in non-farm business inventories	508	- 552	- 456	356	- 176	372	- 416	820	- 576	128	472	- 628	- 108	- 104
10. Imports of goods & services	52	- 156	- 120	68	256	- 184	464	272	40	204	- 32	- 304	212	232
11. G.N.P. (ex. farm)	624	- 456	348	544	- 432	1,000	516	968	452	496	676	672	496	376

Constant (1957) Dollars

Quarter to Quarter Percentage Changes in Selected Items

12. Final domestic demand	0.5	- 1.1	1.4	0.2	0.2	1.0	1.6	0.6	1.2	0.7	- 0.2	0.6	1.6	0.5
13. Total final purchases	0.8	- 2.0	1.9	- 0.3	1.0	1.4	1.9	0.5	0.9	1.1	- 0.3	0.9	1.3	1.3
14. Gross National Expenditure	2.0	- 1.8	0.7	0.5	- 1.0	2.7	1.3	2.2	2.0	0.7	1.0	0.5	1.5	0.7

The first half year comparison shows gains in employment of about 1½ per cent in total and of 2 per cent in the non-farm sector. The rate of unemployment was somewhat lower -- 5.7 per cent of the labour force in the first half of 1963 as against 5.9 per cent a year earlier.

Price Movements

There was a modest increase in prices in the second quarter following little change in the preceding period. Within the sectors all prices with the exception of government and exports showed small price increases. The price increase for government was irregularly high partly because of wage increases, and retroactive payments to members of the armed forces. The prices of exported goods and services showed a fractional decline.

Implicit Price Indexes

Gross National Expenditure and its Components

Percentage Change from the Preceding Quarter.

	2Q 1962 to 3Q 1962	3Q 1962 to 4Q 1962	4Q 1962 to 1Q 1963	1Q 1963 to 2Q 1963
Personal Expenditure	0.6	0.4	0.2	0.4
Total Goods	0.6	0.4	-	0.4
Non-durable Goods	0.6	0.6	- 1/	0.4 1/
Durable Goods	0.5	-0.1	-0.2	0.1
Total Services, including net expenditure abroad	0.5	0.4	0.4	0.3
Government Expenditure	0.7	1.1	1.4 2/	1.6 2/
Gross Fixed Capital Formation	0.7	0.5	0.5	0.4
New Residential Construction	1.0	0.4	0.6	0.7
New Non-Residential Construction ...	0.3	0.6	0.8	0.5
New Machinery and Equipment	1.0	0.5	0.2	0.1
Exports	0.4	0.3	0.4	-0.3
Imports	0.2	0.1	1.1	0.8
Gross National Expenditure	0.7	0.7	0.2 3/	0.5 3/

1/ These data reflect a food price index that has been adjusted to take account of an estimated reduction in expenditures on citrus fruits and juices.

2/ These changes are irregularly high partly because of an increase in wage rates together with retroactive payments to certain groups in the federal civil service in the first quarter and to members of the armed forces in the second quarter.

3/ A base-weighted price index which is more indicative of actual price changes than the implicit indexes shown above (which are currently weighted) shows a change in price in the aggregate of 0.5 per cent between the fourth and first quarters and by 0.3 per cent between the first and second quarters.

The Components of Demand

Rising slightly more than one-half of one per cent in the second quarter, consumer spending made a modest contribution to the expansion in economic activity. The latest recorded increase contrasts with relatively large increments in the two preceding quarters and near stability in the two mid quarters of 1962. It was accompanied by the largest gain in disposable income in the past five quarters; the latter was affected by special factors to which reference was made in the introduction. The resulting sharp rise in personal saving followed a moderate gain in the first quarter.

Price increases at the total level were moderate, with both goods and services prices rising by about the same amount. Non-durables accounted for the rise in goods prices: some of the items, such as gas, oil and grease, and men's clothing, which do not weigh heavily in the total, showed larger increases, which were partially offset by fractional declines in the prices of other commodities.

Some strength in personal spending came from durable goods, which increased 3 per cent. Net purchases of new and used cars rose 6 per cent, with vehicles of overseas manufacture showing their first increase in several quarters while vehicles of North American manufacture also showed an increase in sales. Purchases of all other durables showed lesser increases, except appliances and radios, which declined almost 3 per cent in the quarter.

The increase in total personal spending was dampened by a $\frac{1}{2}$ per cent decline in expenditure on non-durable goods. Purchases of food were practically unchanged and as price increases were very slight, there was no change in real consumption.

Expenditure on services, rising by $1\frac{1}{2}$ per cent, showed a rate of growth in line with the average for recent years. Net expenditure abroad, being mainly the difference between the expenditures on personal account of Canadian travellers abroad and the expenditures of foreign travellers in Canada, has been growing smaller, and now contributes less significantly to movements in total services. Among other services, expenditures on shelter increased by 2 per cent, as did expenditures on personal services, while expenditure on transportation decreased fractionally.

Outlays on fixed capital registered a significant gain in the second quarter. At an annual rate of \$7,252 million, after allowance for seasonal factors, capital spending was slightly less than 3 per cent above the first quarter. Expenditures advanced on a broad front with higher outlays on new residential construction, machinery and equipment, and non-residential building and engineering construction. Although expenditures during the first half of the year, as in the second quarter, were running almost 3 per cent ahead of the year 1962, this level is below the almost 8 per cent forecast in the mid-year review of investment intentions.

The value of new residential construction was 5 per cent higher in the second quarter and at an annual rate of \$1,640 million indicates a level of spending above that experienced since the 1958-1959 expansion. The increase arises mainly from the completion of dwelling units under construction; the annual rate of completions after seasonal adjustment rose by almost 18 per cent to 140 thousand; the annual rate of starts in the second quarter was 137 thousand, less than $1\frac{1}{2}$ per cent above the previous quarter. The data point to a sharp rise in construction of multiple dwelling units in the second quarter (in centres of population of 5,000 and over) with an almost corresponding decline in single detached dwellings. Mortgage loan approvals in 1963 suggest that the increase in new residential construction activity is being financed by conventional institutional mortgage loans rather than by loans approved under the National Housing Act.

Combined capital outlays on plant and machinery in the second quarter rose by over 2 per cent to an annual rate of \$5,612 million. The value of non-residential building and engineering works advanced by 3 per cent to \$2,764 million, while a $1\frac{1}{2}$ per cent increase in spending on machinery and equipment raised the annual rate for this component to \$2,848 million. The combined estimate for plant and machinery for the first half of the year was running almost $3\frac{1}{2}$ per cent above 1962.

The estimated increase in expenditures on machinery and equipment brings the annual rate in the second quarter to the highest current value attained since the investment boom in 1957, although in constant dollars the figure still remains well below this peak. However, in view of the lack of complete data on imports of machinery, the overall estimate of investment in machinery should be regarded as tentative.

The declining rate of stock accumulation which set in sharply in the fourth quarter of 1962 and continued in the first quarter of the current year, gave way to a stock liquidation in the second quarter. Stocks were depleted in wholesale and retail trades, while in manufacturing industries a small stock accumulation occurred. The movement in investment in non-farm business inventories, by industry, over the past four quarters is shown in the following table:-

Changes in Non-farm Business Inventories
(Seasonally Adjusted at Annual Rates)
(Millions of Dollars)

	3Q 1962	4Q 1962	1Q 1963	2Q 1963
Manufacturing	396	156	-44	36
Wholesale	72	132	-28	-36
Retail	388	-16	76	-76
"Other"	-56	-100	60	36
Grand Total	800	172	64	-40

In manufacturing industries, the increase of stocks of wood, furniture, and tobacco industries counterbalanced the almost general, though small, liquidation of the rest of the industry groups. Since inventories increased less than shipments, the stock-to-sales ratio declined. By stages of production, accumulation was evident in raw and finished goods, while stocks of goods in process showed a drop.

In wholesale trades, the prevailing trend was towards depletion among both durable and non-durable lines. The stock-to-sales ratio was the lowest since the first quarter of 1957.

In retail trades, the depletion of stocks of motor vehicle dealers and of farm implements dealers among durables, and of apparel among non-durables, resulted in an overall depletion. The stock-to-sales ratio remained virtually unchanged from that of the previous quarter.

The import balance on current account transactions with non-residents fell to an annual rate of \$420 million in the second quarter of 1963, after allowance for seasonal influences, a continuation of the lower level of deficits which has been apparent since the final quarter of last year. Total exports of goods and services reached a seasonally adjusted annual rate of \$8.9 billion, $4\frac{1}{2}$ per cent above the previous quarter, and imports of goods and services rose by $2\frac{1}{2}$ per cent to \$9.3 billion. The improvement in the deficit from the first quarter arose mainly from an increased surplus on merchandise trade.

The surplus on merchandise trade was \$500 million at annual rates in the second quarter, an increase from the first quarter figure of \$384 million, and the highest trade surplus since 1952. At an annual rate of \$6.9 billion, after discounting seasonal factors, exports of merchandise rose by $5\frac{1}{2}$ per cent with a particularly sharp pick-up in sales to the United Kingdom. An upsurge in exports to Western Europe may partly reflect the recovery of production from the disruptive effects of an exceptionally severe winter. Exports to the United States were also higher. Some of the main commodities in which there were increased sales in the second quarter, after seasonal adjustment, include nickel in particular, aluminum, copper and newsprint (partly reflecting the settlement of the labour dispute in the newspaper industry in the United States); increases, however, were fairly widespread. Imports of merchandise rose by 4 per cent to an annual rate of \$6.4 billion at the total level, but commodity detail is not yet available to enable this increase to be identified.

The deficit from services and other non-merchandise transactions showed little change at an annual rate of \$920 million as receipts were just over 1 per cent higher at \$1,944 million and payments were almost unchanged at \$2,864 million. The slight increase in receipts originated mainly in freight and shipping; other changes tended to be small and offsetting. On the payments side of the account, the main movements were offsetting as a 4 per cent decline in income payments of interest and dividends was largely balanced by a 5 per cent increase in payments for freight and shipping services.

The Government Sector

The major components of expenditure, for all levels of government combined, showed an increase between the first and second quarters of 1963, raising total expenditures $2\frac{1}{2}$ per cent, seasonally adjusted at annual rates. Total revenues were almost unchanged, so that there was an increase of \$352 million in the total deficit, from \$716 million in the first quarter of 1963 to \$1,068 million in the second.

Federal outlays on goods and services, estimated at \$3.0 billion, fell nearly 3 per cent from the first quarter, but this decline was more than offset by a rise in provincial-municipal expenditure which increased almost 4 per cent to \$5.3 billion. Federal defence payments showed a 10 per cent rise, almost half of which is attributable to retroactive pay increases to the armed forces while non-defence outlays fell by nearly 15 per cent. It may be noted that both defence and non-defence outlays have shown erratic and divergent movements in recent quarters. After steadily increasing over the past few quarters, there was a decline in provincial-municipal expenditure on the construction of vocational schools, but increased spending on other goods and services more than offset this drop.

Subsidies paid by the federal and provincial governments increased by somewhat more than 50 per cent between the quarters, mainly as a result of the large interim payment to railway companies by the federal government. There was also a 4 per cent increase in federal transfer payments to other levels of government primarily because of higher payments to the provinces for unemployment assistance and for health grants, and to the municipalities.

Personal direct tax revenues dropped by 5 per cent from the first to the second quarter, reflecting a considerable increase in refunds of income taxes partly the result of higher exemptions allowed in 1962 for wholly dependent children.

There was a minor drop in receipts from indirect taxes which occurred at the federal level; it was largely the result of the abolition effective as of April 1, 1963, of the remaining temporary emergency surcharges imposed in 1962, which lowered revenues from customs import duties.

Income Flows

Labour income in the second quarter of 1963 is estimated at a seasonally adjusted annual rate of \$21.5 billion, somewhat more than 1 per cent higher than in the first quarter when it was irregularly high, partly by reason of substantial retroactive payments to federal government employees. After adjustment for these payments, the first to second quarter increase was nearly $1\frac{1}{2}$ per cent, compared with one of $2\frac{1}{2}$ per cent in the first quarter.

The quarterly gain in labour income reflected varied and somewhat divergent movements as between industries. Labour income in manufacturing was up slightly more than $1\frac{1}{2}$ per cent, matching the advance of the previous quarter.

Among the service-producing industries, finance and service continued to register relatively large gains -- close to $2\frac{1}{2}$ per cent. In trade, labour income rose about $1\frac{1}{2}$ per cent, while a further falling off in railway employment restrained the increase in labour income in the transportation, storage and communication group. Following the first quarter's large retroactive payment mentioned earlier, labour income in public administration fell by over 1 per cent in the second quarter; but for this special factor there would have been an increase in excess of 2 per cent.

The outcome of the movements described above was that wages and salaries in the goods and in the service-producing groups showed an equal rate of increase in the second quarter. Labour inputs and labour prices appear to have been about equally important in the moderate rise in the flow of income.

To put the second quarter's increase in labour income in the perspective of recent experience, the latest recorded rate of gain is lower than in the preceding quarter, higher than in the third and fourth quarters of 1962, and lower than in the first two quarters of that year, when adjustment is made for the non-recurring element of retroactive payments. Much the same pattern is apparent in the cyclically sensitive goods-producing industries.

Corporation profits (before taxes and before dividends paid to non-residents) rose by about 3 per cent in the second quarter to an annual rate of \$4.1 billion on a seasonally adjusted basis. This was nearly 40 per cent higher than the level prevailing at the beginning of the current expansion beginning in the first quarter, 1961.

It may be noted that dividends paid to non-residents dropped substantially by about 15 per cent from the high first quarter level, so that corporation profits measured for national accounting purposes, i.e., less dividends paid abroad, increased by about 7 per cent.

Higher profits were experienced by all industries except retail trade. Profits in the electric power, gas and water utilities industry reflected the transfer from the private to the public business sector of the private corporations acquired on May 1, 1963 by the Quebec Hydro Electric Commission.

Finance, insurance and real estate, and manufacturing groups showed considerable strength. Transportation, storage, and communication group showed no change.

Within manufacturing, higher profits were recorded in all groups except food and beverages, metal industries (including transportation equipment), and petroleum and coal products; profits of wood industries remained unchanged.

Rent, interest, and miscellaneous investment income, seasonally adjusted, rose by about 5 per cent, mainly due to a rise in trading profits of government business enterprises, which reflected the interim subsidy received by the Canadian National Railway System as well as the acquisitions by the Quebec Hydro Electric Commission mentioned above.

Net income of non-farm unincorporated business, seasonally adjusted, declined about 2 per cent in the second quarter from the first quarter rate. There was a sharp drop in net income of retail trade, caused by lower profit sales ratios, partially offset by modest increases in the construction, personal service, business service, forestry, and mining industries.

Accrued net income of farm operators from farm production in the second quarter rose by over 7 per cent, seasonally adjusted. Net income received by farm operators from farm production in the second quarter rose to a level of \$1.8 billion. The increase can be attributed to the very high payments made by the Canada Wheat Board during the quarter.

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963	
	I	II	III	IV	Year	I	II
1. Wages, salaries, and supplementary labour income	4,792	5,095	5,272	5,200	20,359	5,113	5,412
2. Military pay and allowances	147	152	145	142	586	136	157
3. Corporation profits before taxes	771	1,047	985	1,021	3,824	826	1,123
4. Deduct: Dividends paid to non-residents(1)	- 128	- 148	- 116	- 178	- 570	- 143	- 117
5. Rent, interest, and miscellaneous investment income ..	671	676	694	727	2,768	713	736
6. Accrued net income of farm operators from farm production(2)	29	123	1,188	51	1,391	47	150
7. Net income of non-farm unincorporated business(3)	486	585	573	736	2,380	502	598
8. Inventory valuation adjustment(4)	- 27	- 44	- 49	- 12	- 132	- 36	- 72
9. NET NATIONAL INCOME AT FACTOR COST	6,741	7,486	8,692	7,687	30,606	7,158	7,987
10. Indirect taxes less subsidies	1,254	1,314	1,368	1,325	5,261	1,353	1,355
11. Capital consumption allowances and miscellaneous valuation adjustments	1,119	1,197	1,196	1,243	4,755	1,154	1,227
12. Residual error of estimate	- 155	- 227	82	79	- 221	- 163	- 230
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	8,959	9,770	11,338	10,334	40,401	9,502	10,339
14. (Gross national product at market prices excluding accrued net income of farm operators)	(8,930)	(9,647)	(10,150)	(10,283)	(39,010)	(9,455)	(10,189)

(1) Includes the withholding tax applicable to this item.

(2) Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

(3) Includes net income of independent professional practitioners.

(4) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963	
	I	II	III	IV	Year	I	II
1. Personal expenditure on consumer goods and services ..	6,010	6,443	6,274	7,022	25,749	6,306	6,767
2. Government expenditure on goods and services(1, 2) ...	1,704	1,827	2,200	1,990	7,721	1,866	1,906
3. Business gross fixed capital formation(3)	1,412	1,800	1,931	1,811	6,954	1,458	1,899
4. New residential construction	293	392	457	435	1,577	299	414
5. New non-residential construction	520	643	787	718	2,668	506	662
6. New machinery and equipment	599	765	687	658	2,709	653	823
7. Value of physical change in inventories(4)	- 4	- 173	1,048	- 306	565	- 58	- 279
8. Non-farm business inventories	245	- 45	132	43	375	203	- 168
9. Farm inventories and grain in commercial channels ..	- 249	- 128	916	- 349	190	- 261	- 111
10. Exports of goods and services	1,728	2,072	2,246	2,178	8,224	1,833	2,240
11. Deduct: Imports of goods and services	- 2,047	- 2,425	- 2,278	- 2,283	- 9,033	- 2,066	- 2,424
12. Residual error of estimate	156	226	- 83	- 78	221	163	230
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	8,959	9,770	11,338	10,334	40,401	9,502	10,339

(1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

(2) For details of defence expenditure see line 3, Table 6.

(3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

(4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Source of Personal Income, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963	
	I	II	III	IV	Year	I	II
1. Wages, salaries, and supplementary labour income	4,792	5,095	5,272	5,200	20,359	5,113	5,412
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 199	- 196	- 209	- 212	- 816	- 209	- 205
3. Military pay and allowances	147	152	145	142	586	136	157
4. Net income received by farm operators from farm production(1)	1	222	1,149	30	1,402	17	201
5. Net income of non-farm unincorporated business	486	585	573	736	2,380	502	598
6. Interest, dividends, and net rental income of persons(2)	726	787	773	900	3,186	789	849
Transfer payments to persons:							
7. From government (excluding interest)	1,075	885	835	857	3,652	1,076	935
8. Charitable contributions by corporations	9	12	12	12	45	10	12
9. PERSONAL INCOME	7,037	7,542	8,550	7,665	30,794	7,434	7,959

(1) This item differs from line 6, Table 1, by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 4. Disposition of Personal Income, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963	
	I	II	III	IV	Year	I	II
1. Personal direct taxes	625	719	674	696	2,714	680	742
2. Income taxes	498	627	587	599	2,311	557	649
3. Succession duties and estate taxes	42	40	43	41	166	36	37
4. Miscellaneous	85	52	44	56	237	87	56
5. Personal expenditure on consumer goods and services ..	6,010	6,443	6,274	7,022	25,749	6,306	6,767
6. Non-durable goods	2,934	3,085	3,199	3,659	12,877	3,049	3,184
7. Durable goods	643	826	621	823	2,913	674	900
8. Services(1)	2,433	2,532	2,454	2,540	9,959	2,583	2,683
9. Personal net saving	402	380	1,602	- 53	2,331	448	450
10. Personal saving excluding change in farm inventories ..	580	413	762	427	2,182	687	523
11. Value of physical change in farm inventories	- 178	- 33	840	- 480	149	- 239	- 73
12. PERSONAL INCOME	7,037	7,542	8,550	7,665	30,794	7,434	7,959
13. (Personal disposable income)(2)	(6,412)	(6,823)	(7,876)	(6,969)	(28,080)	(6,754)	(7,217)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 5. Government Revenue, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963	
	I	II	III	IV	Year	I	II
1. Direct taxes - Persons	625	719	674	696	2,714	680	742
2. Federal	468	563	526	531	2,088	488	572
3. Provincial and municipal	157	156	148	165	626	192	170
4. Direct taxes - Corporations	379	470	443	458	1,750	400	498
5. Federal	288	357	336	347	1,328	304	378
6. (Federal tax collections)	(317)	(367)	(322)	(288)	(1,294)	(305)	(373)
7. Provincial	91	113	107	111	422	96	120
8. (Provincial tax collections)	(91)	(79)	(100)	(91)	(361)	(109)	(110)
Withholding taxes:							
9. Federal	26	35	23	41	125	31	30
10. Indirect taxes	1,314	1,381	1,431	1,426	5,552	1,404	1,442
11. Federal	528	596	635	641	2,400	550	592
12. Provincial and municipal	786	785	796	785	3,152	854	850
13. Investment income	270	291	276	374	1,211	281	331
14. Federal	79	111	90	168	448	88	132
15. Provincial and municipal	191	180	186	206	763	193	199
16. Employer and employee contributions to social insurance and government funds	199	196	209	212	816	209	205
17. Federal	128	122	133	135	518	132	126
18. Provincial and municipal	71	74	76	77	298	77	79
Transfers from Federal:							
19. Provincial and municipal	300	256	278	302	1,136	302	308
20. TOTAL REVENUE	3,113	3,348	3,334	3,509	13,304	3,307	3,556
21. FEDERAL	1,517	1,784	1,743	1,863	6,907	1,593	1,830
22. PROVINCIAL and MUNICIPAL	1,596	1,564	1,591	1,646	6,397	1,714	1,726

TABLE 6. Government Expenditure, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963	
	I	II	III	IV	Year	I	II
1. Goods and services	1,704	1,827	2,200	1,990	7,721	1,866	1,906
2. Federal	751	770	772	715	3,008	748	724
3. (Defence)	(471)	(401)	(398)	(410)	(1,680)	(410)	(376)
4. Provincial and municipal	953	1,057	1,428	1,275	4,713	1,118	1,182
5. Transfer payments to persons (excluding interest on the public debt)	1,075	885	835	857	3,652	1,076	935
6. Federal	665	524	453	480	2,122	629	538
7. Provincial and municipal	410	361	382	377	1,530	447	397
8. Interest on the public debt	242	323	269	440	1,274	263	349
9. Federal	157	199	189	310	855	163	206
10. Provincial and municipal	85	124	80	130	419	100	143
11. Subsidies	60	67	63	101	291	51	87
12. Federal	57	63	50	90	260	49	83
13. Provincial	3	4	13	11	31	2	4
Transfers to other levels of government:							
14. Federal	300	256	278	302	1,136	302	308
15. Total expenditure	3,381	3,358	3,645	3,690	14,074	3,558	3,585
16. Federal	1,930	1,812	1,742	1,897	7,381	1,891	1,859
17. Provincial and municipal	1,451	1,546	1,903	1,793	6,693	1,667	1,726
18. Deficit (-) or surplus (+)	- 268	- 10	- 311	- 181	- 770	- 251	- 29
19. Federal	- 413(1)	- 28	1	- 34	- 474	- 298	- 29
20. Provincial and municipal	145(1)	18	- 312	- 147	- 296	47	-
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	3,113	3,348	3,334	3,509	13,304	3,307	3,556
22. FEDERAL	1,517	1,784	1,743	1,863	6,907	1,593	1,830
23. PROVINCIAL and MUNICIPAL	1,596	1,564	1,591	1,646	6,397	1,714	1,726

(1) In this quarter the federal deficit is irregularly high by about \$75 million and the provincial - municipal surplus also correspondingly high as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements.

TABLE 7. Source of National Saving, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963	
	I	II	III	IV	Year	I	II
1. Personal net saving	402	380	1,602	- 53	2,331	448	450
2. Business gross saving	1,293	1,401	1,540	1,489	5,723	1,332	1,547
3. Undistributed corporation profits	146	303	305	225	979	148	371
4. Capital consumption allowances and miscellaneous valuation adjustments	1,119	1,197	1,196	1,243	4,755	1,154	1,227
5. Adjustment on grain transactions(1)	28	- 99	39	21	- 11	30	- 51
6. Inventory valuation adjustment	- 27	- 44	- 49	- 12	- 132	- 36	- 72
7. Government surplus (+) or deficit (-)	- 268	- 10	- 311	- 181	- 770	- 251	- 29
8. Residual error of estimate	- 155	- 227	82	79	- 221	- 163	- 230
9. Totals	1,245	1,500	2,864	1,322	6,931	1,330	1,666

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 8. Disposition of National Saving, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963	
	I	II	III	IV	Year	I	II
1. Business gross fixed capital formation	1,412	1,800	1,931	1,811	6,954	1,458	1,899
2. New residential construction	293	392	457	435	1,577	299	414
3. New non-residential construction	520	643	787	718	2,668	506	662
4. New machinery and equipment	599	765	687	658	2,709	653	823
5. Value of physical change in inventories	- 4	- 173	1,048	- 306	565	- 58	- 279
6. Surplus (+) or deficit (-) on current account with non-residents	- 319	- 353	- 32	- 105	- 809	- 233	- 184
7. Residual error of estimate	156	226	- 83	- 78	221	163	230
8. Totals	1,245	1,500	2,864	1,322	6,931	1,330	1,666

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1962 and 1963(1)
(millions of dollars)

	1962					1963	
	I	II	III	IV	Year	I	II
1. Personal expenditure on consumer goods and services	5,627	6,000	5,795	6,493	23,915	5,807	6,214
2. Non-durable goods	2,820	2,947	3,026	3,456	12,249	2,882	2,995
3. Durable goods	638	818	619	813	2,888	667	888
4. Services	2,169	2,235	2,150	2,224	8,778	2,258	2,331
5. Government expenditure on goods and services	1,440	1,611	2,000	1,710	6,761	1,523	1,608
6. Business gross fixed capital formation	1,282	1,622	1,733	1,620	6,257	1,290	1,674
7. New residential construction	263	348	403	383	1,397	261	358
8. New non-residential construction	475	585	718	652	2,430	451	588
9. New machinery and equipment	544	689	612	585	2,430	578	728
10. Change in inventories	41	- 183	953	- 262	549	- 13	- 306
11. Non-farm business inventories	245	- 48	117	45	359	205	- 156
12. Farm inventories and grain in commercial channels	- 204	- 135	836	- 307	190	- 218	- 150
13. Exports of goods and services	1,646	1,944	2,104	2,035	7,729	1,711	2,084
14. Deduct: Imports of goods and services	- 1,887	- 2,197	- 2,060	- 2,075	- 8,219	- 1,853	- 2,153
15. Residual error of estimate	144	208	- 77	- 72	203	147	209
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	8,293	9,005	10,448	9,449	37,195	8,612	9,330

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, derived by dividing the value figures in Table 2 by the constant dollar figures in Table 9, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963	
	I	II	III	IV	Year	I	II
1. Wages, salaries, and supplementary labour income	19,940	20,268	20,500	20,728	20,359	21,272	21,516
2. Military pay and allowances	600	588	600	556	586	548	608
3. Corporation profits before taxes	3,720	3,836	3,772	3,968	3,824	3,984	4,120
4. Deduct: Dividends paid to non-residents(1)	- 576	- 636	- 512	- 556	- 570	- 628	- 532
5. Rent, interest, and miscellaneous investment income ..	2,692	2,732	2,720	2,928	2,768	2,840	2,992
6. Accrued net income of farm operators from farm production(2)	1,416	1,420	1,452	1,276	1,391	1,480	1,588
7. Net income of non-farm unincorporated business(3)	2,432	2,360	2,344	2,384	2,380	2,464	2,404
8. Inventory valuation adjustment	- 108	- 176	- 196	- 48	- 132	- 144	- 288
9. NET NATIONAL INCOME AT FACTOR COST	30,116	30,392	30,680	31,236	30,606	31,816	32,408
10. Indirect taxes less subsidies	5,152	5,192	5,424	5,276	5,261	5,556	5,372
11. Capital consumption allowances and miscellaneous valuation adjustments	4,660	4,704	4,756	4,900	4,755	4,820	4,860
12. Residual error of estimate	- 380	- 240	- 104	- 160	- 221	- 240	- 204
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	39,548	40,048	40,756	41,252	40,401	41,952	42,436
14. (Gross national product at market prices excluding accrued net income of farm operators)	(38,132)	(38,628)	(39,304)	(39,976)	(39,010)	(40,472)	(40,848)

(1) See footnote 1, Table 1.

(2) Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

(3) Includes net income of independent professional practitioners.

TABLE 11. Gross National Expenditure, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963	
	I	II	III	IV	Year	I	II
1. Personal expenditure on consumer goods and services ..	25,540	25,592	25,696	26,168	25,749	26,644	26,824
2. Government expenditure on goods and services(1, 2) ..	7,384	7,900	7,824	7,776	7,721	8,128	8,236
3. Business gross fixed capital formation(3)	6,888	6,860	7,016	7,052	6,954	7,056	7,252
4. New residential construction	1,536	1,564	1,616	1,592	1,577	1,564	1,640
5. New non-residential construction	2,756	2,676	2,588	2,652	2,668	2,684	2,764
6. New machinery and equipment	2,596	2,620	2,812	2,808	2,709	2,808	2,848
7. Value of physical change in inventories	384	360	1,016	500	565	452	340
8. Non-farm business inventories	200	328	800	172	375	64	- 40
9. Farm inventories and grain in commercial channels(4)	184	32	216	328	190	388	380
10. Exports of goods and services	7,940	8,272	8,248	8,436	8,224	8,480	8,864
11. Deduct: Imports of goods and services	- 8,972	- 9,176	- 9,144	- 8,840	- 9,033	- 9,052	- 9,284
12. Residual error of estimate	384	240	100	160	221	244	204
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	39,548	40,048	40,756	41,252	40,401	41,952	42,436
Detail of Farm Inventories and GICC:							
Value of grain crop production	1,172	1,176	1,176	1,176	1,175	1,308	1,308
Depletions of farm stocks of grain	- 856	- 872	- 1,104	- 1,364	- 1,049	- 1,168	- 1,084
Change in livestock inventories	28	24	52	- 12	23	- 56	48
Grain in commercial Channels	- 160	- 296	92	528	41	304	108

(1) See footnote 1, Table 2.

(2) For details of defence expenditures, see line 3, Table 15.

(3) See footnote 3, Table 2.

(4) In the seasonally adjusted series, the value of grain production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 2, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 12. Source of Personal Income, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963	
	I	II	III	IV	Year	I	II
1. Wages, salaries, and supplementary labour income	19,940	20,268	20,500	20,728	20,359	21,272	21,516
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 792	- 812	- 828	- 832	- 816	- 832	- 848
3. Military pay and allowances	600	588	600	556	586	548	608
4. Net income received by farm operators from farm production(1)	1,200	1,792	1,340	1,276	1,402	1,292	1,816
5. Net income of non-farm unincorporated business	2,432	2,360	2,344	2,384	2,380	2,464	2,404
6. Interest, dividends, and net rental income of persons(2)	3,020	3,192	3,204	3,328	3,186	3,288	3,400
Transfer payments to persons:							
7. From government (excluding interest)	3,760	3,572	3,596	3,680	3,652	3,740	3,780
8. Charitable contributions by corporations	44	44	44	48	45	48	48
9. PERSONAL INCOME	30,204	31,004	30,800	31,168	30,794	31,820	32,724

(1) This item differs from line 6, Table 10 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 13. Disposition of Personal Income, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963	
	I	II	III	IV	Year	I	II
1. Personal direct taxes	2,640	2,652	2,752	2,812	2,714	2,884	2,740
2. Income taxes	2,220	2,272	2,348	2,404	2,311	2,492	2,352
3. Succession duties and estate taxes	168	160	172	164	166	144	148
4. Miscellaneous	252	220	232	244	237	248	240
5. Personal expenditure on consumer goods and services ..	25,540	25,592	25,696	26,168	25,749	26,644	26,824
6. Non-durable goods	12,832	12,724	12,920	13,032	12,877	13,240	13,164
7. Durable goods	2,928	2,932	2,764	3,028	2,913	3,028	3,120
8. Services(1)	9,780	9,936	10,012	10,108	9,959	10,376	10,540
9. Personal net saving	2,024	2,760	2,352	2,188	2,331	2,292	3,160
10. PERSONAL INCOME	30,204	31,004	30,800	31,168	30,794	31,820	32,724
11. (Personal disposable income)(2)	(27,564)	(28,352)	(28,048)	(28,356)	(28,080)	(28,936)	(29,984)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 14. Government Revenue, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963	
	I	II	III	IV	Year	I	II
1. Direct taxes - Persons	2,640	2,652	2,752	2,812	2,714	2,884	2,740
2. Federal	2,072	2,040	2,104	2,136	2,088	2,192	2,048
3. Provincial and municipal	568	612	648	676	626	692	692
4. Direct taxes - Corporations	1,768	1,768	1,700	1,764	1,750	1,816	1,864
5. Federal	1,356	1,348	1,296	1,312	1,328	1,380	1,412
6. (Federal tax collections)	(1,368)	(1,296)	(1,252)	(1,260)	(1,294)	(1,312)	(1,320)
7. Provincial	412	420	404	452	422	436	452
8. (Provincial tax collections)	(324)	(304)	(404)	(412)	(361)	(400)	(428)
Withholding taxes:							
9. Federal	104	144	112	140	125	124	124
10. Indirect taxes	5,424	5,464	5,648	5,672	5,552	5,788	5,724
11. Federal	2,316	2,324	2,480	2,480	2,400	2,404	2,324
12. Provincial and municipal(1)	3,108	3,140	3,168	3,192	3,152	3,384	3,400
13. Investment income	1,192	1,200	1,148	1,304	1,211	1,240	1,352
14. Federal	408	444	388	552	448	440	528
15. Provincial and municipal	784	756	760	752	763	800	824
16. Employer and employee contributions to social insurance and government pension funds	792	812	828	832	816	832	848
17. Federal	508	516	524	524	518	524	532
18. Provincial and municipal	284	296	304	308	298	308	316
Transfers from federal:							
19. Provincial and municipal	1,184	1,004	1,156	1,200	1,136	1,188	1,236
20. TOTAL REVENUE	13,104	13,044	13,344	13,724	13,304	13,872	13,888
21. FEDERAL	6,764	6,816	6,904	7,144	6,907	7,064	6,968
22. PROVINCIAL and MUNICIPAL	6,340	6,228	6,440	6,580	6,397	6,808	6,920

(1) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 15. Government Expenditure, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963	
	I	II	III	IV	Year	I	II
1. Goods and services	7,384	7,900	7,824	7,776	7,721	8,128	8,236
2. Federal	3,032	3,188	2,952	2,860	3,008	3,060	2,976
3. (Defence)	(1,684)	(1,744)	(1,644)	(1,648)	(1,680)	(1,468)	(1,616)
4. Provincial and municipal	4,352	4,712	4,872	4,916	4,713	5,068	5,260
5. Transfer payments to persons (excluding interest on the public debt)	3,760	3,572	3,596	3,680	3,652	3,740	3,780
6. Federal	2,312	2,088	2,032	2,056	2,122	2,156	2,140
7. Provincial and municipal	1,448	1,484	1,564	1,624	1,530	1,584	1,640
8. Interest on the public debt	1,172	1,320	1,260	1,344	1,274	1,300	1,352
9. Federal	772	912	828	908	855	836	880
10. Provincial and municipal	400	408	432	436	419	464	472
11. Subsidies	272	272	224	396	291	232	352
12. Federal	244	240	192	364	260	204	320
13. Provincial	28	32	32	32	31	28	32
Transfers to other levels of government:							
14. Federal	1,184	1,004	1,156	1,200	1,136	1,188	1,236
15. Total expenditure	13,772	14,068	14,060	14,396	14,074	14,588	14,956
16. Federal	7,544	7,432	7,160	7,388	7,381	7,444	7,552
17. Provincial and municipal	6,228	6,636	6,900	7,008	6,693	7,144	7,404
18. Deficit (-) or surplus (+)	- 668	- 1,024	- 716	- 672	- 770	- 716	- 1,068
19. Federal	- 780(1)	- 616	- 256	- 244	- 474	- 380	- 584
20. Provincial and municipal	112(1)	- 408	- 460	- 428	- 296	- 336	- 484
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	13,104	13,044	13,344	13,724	13,304	13,872	13,888
22. FEDERAL	6,764	6,816	6,904	7,144	6,907	7,064	6,968
23. PROVINCIAL and MUNICIPAL	6,340	6,228	6,440	6,580	6,397	6,808	6,920

(1) In this quarter the federal deficit is irregularly high by about \$300 million and the provincial-municipal deficit correspondingly low as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements.

TABLE 16. Source of National Saving, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963	
	I	II	III	IV	Year	I	II
1. Personal net saving	2,024	2,760	2,352	2,188	2,331	2,292	3,160
2. Business gross saving	5,756	5,236	5,900	6,000	5,723	5,988	5,776
3. Undistributed corporation profits	880	904	1,032	1,100	979	980	1,144
4. Capital consumption allowances and miscellaneous valuation adjustments	4,660	4,704	4,756	4,900	4,755	4,820	4,860
5. Adjustment on grain transactions(1)	216	- 372	112	-	- 11	188	- 228
6. Inventory valuation adjustment	- 108	- 176	- 196	- 48	- 132	- 144	- 288
7. Government surplus (+) or deficit (-)	- 668	- 1,024	- 716	- 672	- 770	- 716	- 1,068
8. Residual error of estimate	- 380	- 240	- 104	- 160	- 221	- 240	- 204
9. Totals	6,624	6,556	7,236	7,308	6,931	7,180	7,376

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 17. Disposition of National Saving, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963	
	I	II	III	IV	Year	I	II
1. Business gross fixed capital formation	6,888	6,860	7,016	7,052	6,954	7,056	7,252
2. New residential construction	1,536	1,564	1,616	1,592	1,577	1,564	1,640
3. New non-residential construction	2,756	2,676	2,588	2,652	2,668	2,684	2,764
4. New machinery and equipment	2,596	2,620	2,812	2,808	2,709	2,808	2,848
5. Value of physical change in inventories	384	360	1,016	500	565	452	340
6. Surplus (+) or deficit (-) on current account with non-residents	- 1,032	- 904	- 896	- 404	- 809	- 572	- 420
7. Residual error of estimate	384	240	100	160	221	244	204
8. Totals	6,624	6,556	7,236	7,308	6,931	7,180	7,376

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1962 and 1963(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963	
	I	II	III	IV	Year	I	II
1. Personal expenditure on consumer goods and services	23,912	23,828	23,784	24,136	23,915	24,536	24,608
2. Non-durable goods	12,308	12,136	12,256	12,296	12,249	12,496	12,368
3. Durable goods	2,912	2,912	2,732	2,996	2,888	3,000	3,088
4. Services	8,692	8,780	8,796	8,844	8,778	9,040	9,152
5. Government expenditure on goods and services	6,544	6,948	6,836	6,716	6,761	6,924	6,904
6. Business gross fixed capital formation	6,268	6,192	6,284	6,284	6,257	6,256	6,404
7. New residential construction	1,376	1,392	1,424	1,396	1,397	1,364	1,420
8. New non-residential construction	2,532	2,440	2,352	2,396	2,430	2,404	2,464
9. New machinery and equipment	2,360	2,360	2,508	2,492	2,430	2,488	2,520
10. Change in inventories	416	396	960	424	549	412	280
11. Non-farm business inventories	204	316	760	156	359	68	- 36
12. Farm inventories and grain in commercial channels	212	80	200	268	190	344	316
13. Exports of goods and services	7,536	7,776	7,724	7,880	7,729	7,888	8,268
14. Deduct: Imports of goods and services	- 8,248	- 8,332	- 8,288	- 8,008	- 8,219	- 8,112	- 8,252
15. Residual error of estimate	356	220	92	144	203	220	184
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	36,784	37,028	37,392	37,576	37,195	38,124	38,396

(1) See footnote 1, Table 9.

11
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QUARTERLY

Canada. Statistics, Bureau of



CANADA

NATIONAL ACCOUNTS
INCOME AND EXPENDITURE
THIRD QUARTER 1963

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"National Accounts, Income and Expenditure, by Quarters, 1947-61", for the years 1947-58.

"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1962", for the years 1959-61.

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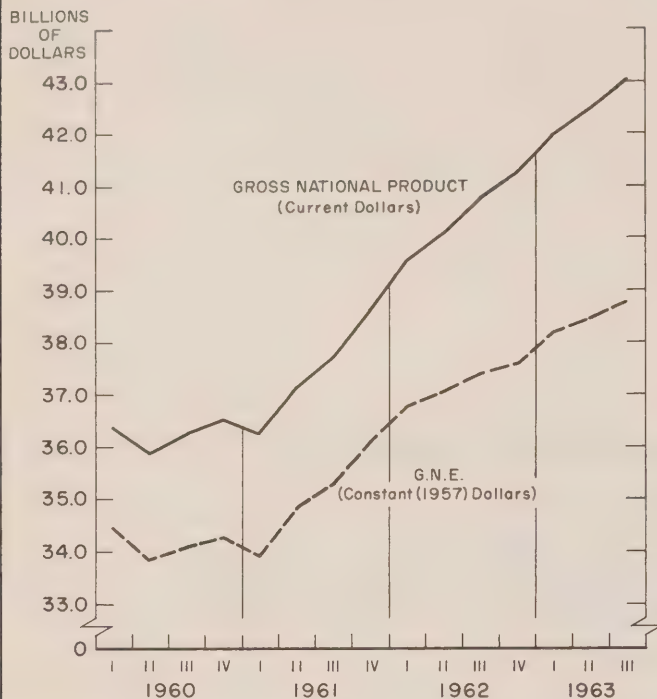
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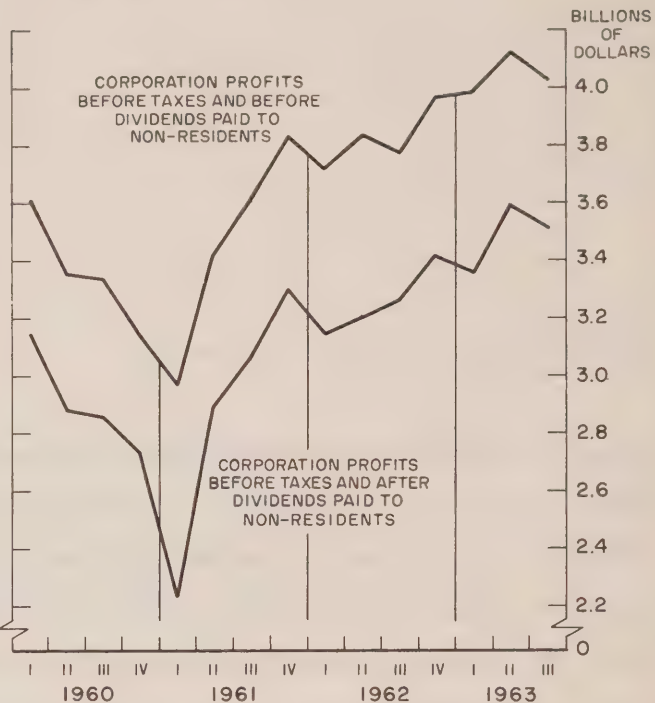
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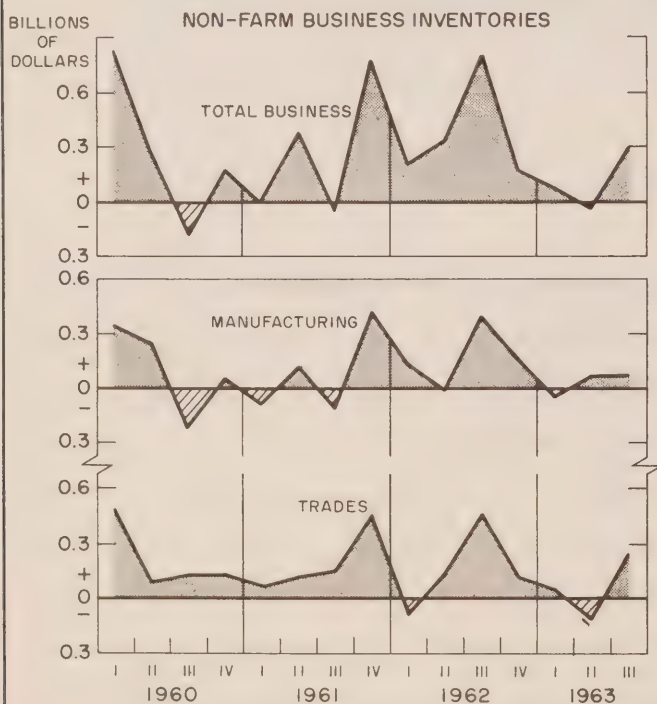
GROSS NATIONAL PRODUCT ROSE BY 1.3 PER CENT
TO REGISTER THE TENTH CONSECUTIVE INCREASE
(SEASONALLY ADJUSTED DATA AT ANNUAL RATES)



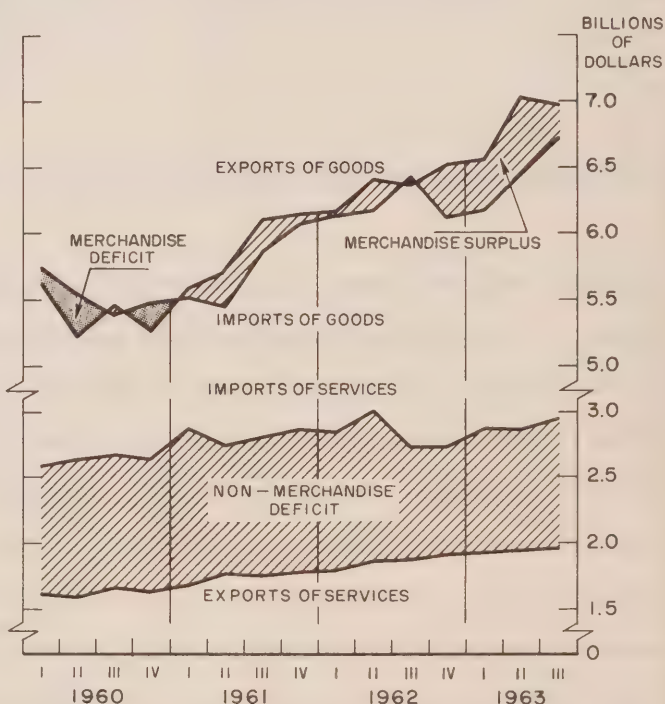
CORPORATION PROFITS DECLINED SLIGHTLY FROM
THE PEAK REACHED IN THE SECOND QUARTER
(SEASONALLY ADJUSTED DATA AT ANNUAL RATES)



INVENTORY ACCUMULATION PROVIDED AN ELEMENT
OF RENEWED STRENGTH IN TOTAL DEMAND
(SEASONALLY ADJUSTED DATA AT ANNUAL RATES)



THE DEFICIT ON CURRENT ACCOUNT INCREASED
AS IMPORTS ROSE APPRECIABLY
(SEASONALLY ADJUSTED DATA AT ANNUAL RATES)



INTRODUCTORY REVIEW

The expansion in production of goods and services continued in the third quarter as a \$564 million increase carried Gross National Product to an annual rate of \$43.0 billion after seasonal adjustment. This rise of 1.3 per cent was a continuation of similar sized gains which have been apparent since early in 1962, and was the tenth consecutive quarterly increase in the current expansion. Since the trough in business activity at the beginning of 1961, Gross National Product has now advanced 19 per cent, about three fourths of which represented a gain in real terms. During the quarter, prices rose by about one half of one per cent, so that they accounted for approximately one third of the increase in the value of Gross National Product.

The latest quarterly gain stemmed mainly from increased spending on consumer goods and services and a moderate accumulation of business inventories. Spending by persons increased by over \$550 million to an annual rate of \$27.4 billion, with about two thirds of this increase attributable to non-durable goods. The current quarter's build-up of non-farm inventories of \$300 million was a renewed element of strength, after nine months during which the rate of inventory accumulation slowed down and finally turned to a modest liquidation.

The other sectors of demand reflected mixed movements, with fixed capital formation rising by 1½ per cent, to \$7.4 billion, mainly as a result of increased investment in machinery and equipment, government demand for goods and services rising by 1 per cent, and exports declining fractionally to an annual rate of \$8.9 billion. Part of the increased demand was met by a 4 per cent rise in imports of goods and services, which reached \$9.7 billion after discounting seasonal influences. As a result of the above external transactions, the net import balance widened to an annual rate of \$0.7 billion from \$0.3 billion in the preceding quarter.

Net National Income rose by just over 1 per cent to \$32.8 billion. The gain resulted mainly from a 1½ per cent increase in labour income, partly reflecting increased employment; this was offset to some extent by lower corporation profits, which edged downward by 2 per cent after three successive quarterly increases. Total employment advanced in step with the 1 per cent growth in the labour force, leaving the ratio of unemployment to total labour force on average during the quarter little changed. However, within the third quarter there were significant month-to-month declines in unemployment.

Percentage Changes in Components of Gross National Expenditure^{1/}

	4Q 1962 to 1Q 1963 Col.(1)	1Q 1963 to 2Q 1963 Col.(2)	2Q 1963 to 3Q 1963 Col.(3)	3 Quarters 1962 to 3 Quarters 1963 Col. (4)
Personal Expenditure	1.8	0.7	2.1	5.3
Government Expenditure	4.5	0.3	1.1	5.9
Residential Construction	-1.8	4.9	0.5	4.3
Non-Residential Construction	1.2	3.3	-1.9	2.1
Machinery and Equipment	-	1.7	5.3	7.7
Exports	0.5	5.8	-0.6	8.2
 Total Final Demand	 1.8	 1.8	 1.4	 5.8
 Inventories	 -	 -(\$0.1b)	 (\$0.2b)	 -(\$0.1b)
(Business Only)	-(\$0.1b)	-(\$0.1b)	(\$0.3b)	-(\$0.2b)
 Imports	 2.4	 2.9	 3.9	 2.9
 Gross National Expenditure (Value)	 1.8	 1.1	 1.3	 6.0
Volume Component	1.6	0.7	0.9	4.2

^{1/} All comparisons except 3 Quarters 1962 to 3 Quarters 1963 are based on data seasonally adjusted at annual rates.

Quarter to Quarter Changes in Final Purchases
(Seasonally Adjusted at Annual Rates)
(millions of dollars)

	1Q'60 to 2Q'60	2Q'60 to 3Q'60	3Q'60 to 4Q'60	4Q'60 to 1Q'61	1Q'61 to 2Q'61	2Q'61 to 3Q'61	3Q'61 to 4Q'61	4Q'61 to 1Q'62	1Q'62 to 2Q'62	2Q'62 to 3Q'62	3Q'62 to 4Q'62	4Q'62 to 1Q'63	1Q'63 to 2Q'63	2Q'63 to 3Q'63
1. Personal expenditure	236	244	324	- 16	452	360	188	620	52	104	472	476	180	564
2. Government expenditure	- 64	428	- 140	240	- 12	192	120	- 4	516	- 76	- 48	352	24	92
3. Residential construction ...	- 204	- 4	- 8	28	36	48	- 20	60	28	52	- 24	- 28	76	8
4. Non-residential construction	- 72	44	- 12	32	28	72	88	- 36	- 80	- 88	64	32	88	- 52
5. Machinery and equipment	- 68	- 104	76	- 112	- 128	72	24	80	24	192	- 4	-	48	152
6. Exports of goods & services	- 404	304	- 228	376	228	364	56	28	332	- 24	188	44	496	- 52
7. Total final purchases	- 576	912	12	548	604	1,108	456	748	872	160	648	876	912	712
8. (Final domestic demand)	(- 172)	(608)	(240)	(172)	(376)	(744)	(400)	(720)	(540)	(184)	(460)	(832)	(416)	(764)

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in non-farm business inventories	- 552	- 456	356	- 176	372	- 416	820	- 576	128	472	- 628	- 108	- 104	336
10. Imports of goods & services	- 156	- 120	68	256	- 184	464	272	40	204	- 32	- 304	212	260	360
11. G.N.P. (ex. farm)	- 456	348	544	- 432	1,000	516	968	452	496	676	672	476	436	600

Constant (1957) Dollars
Quarter to Quarter Percentage Changes in Selected Items

12. Final domestic demand	- 1.1	1.4	0.2	0.2	1.0	1.6	0.6	1.2	0.7	- 0.2	0.6	1.6	0.4	1.1
13. Total final purchases	- 2.0	1.9	- 0.3	1.0	1.4	1.9	0.5	0.9	1.1	- 0.3	0.9	1.3	1.4	0.7
14. Gross National Expenditure	- 1.8	0.7	0.5	- 1.0	2.7	1.3	2.2	2.0	0.7	1.0	0.5	1.6	0.7	0.9

Percentage Changes in Major Income Components^{1/}

	4Q 1962 to 1Q 1963 Col.(1)	1Q 1963 to 2Q 1963 Col.(2)	2Q 1963 to 3Q 1963 Col.(3)	3 Quarters 1962 to 3 Quarters 1963 Col. (4)
Wages, Salaries, and Supplementary Labour Income..	2.6	1.2	1.4	6.5
Transfer Payments	1.6	1.1	1.4	3.8
Personal Income	2.3	2.7	-0.1	6.3
Corporation Profits (Before Dividends Paid Abroad)	0.4	3.4	-2.2	7.0
Rent, Interest, and Miscellaneous Investment Income	-3.0	5.4	-1.7	7.7
Net Income of Non-Farm Unincorporated Business ...	3.4	-1.5	2.8	3.6
Net National Income at Factor Cost	2.0	1.7	1.1	7.1

Selected Government Revenues
(All Levels of Government)

Direct Personal Taxes	2.6	-4.2	5.5	6.1
Corporation Tax Liabilities	2.9	2.6	-4.1	5.7
Indirect Taxes	2.0	-1.1	2.6	5.3

^{1/} All comparisons except 3 Quarters 1962 to 3 Quarters 1963 are based on data seasonally adjusted at annual rates.

Gross National Product during the first nine months of the year was running 6 per cent above the same period one year ago, and had advanced 4 1/4 per cent from the end of 1962. With three quarters data available it is now possible to suggest some tentative orders of magnitude for the increase in the year 1963 as a whole. For example, if the increase between the third to fourth quarter is assumed to be 1 per cent after allowance for seasonal influences, the annual change would be almost 6 per cent, whereas no change between the third and final quarter of the year would yield an increase of 5½ per cent.

The main reasons for the higher level in the first nine months of the year when compared with the same period in 1962 have been consumer spending which accounted for one half of the increase. However, other sectors of demand, although quantitatively less important than consumers registered relatively greater gains. Exports of merchandise were particularly strong, investment in machinery and equipment and government expenditure on goods and services were all higher by 6 per cent or more.

Price Movements

As noted in the introductory paragraph, prices overall rose by about one half of one per cent in the third quarter. The price component of personal expenditure advanced by a little over one half of one per cent, largely due to an over one per cent increase in the prices of food between the second and third quarter after adjustment for seasonal factors. Prices of non-food commodities and services increased only fractionally. The price index of gross fixed capital formation showed an increase of 1.2 per cent compared to 0.4 per cent in the preceding quarter. Most of this change took place in machinery and equipment, and was associated with an increase in the federal sales tax. The new non-residential construction price index increased by 1.0 per cent, while the price index of new residential construction showed a moderate increase of 0.5 per cent. The price index of imported goods and services increased by 1.2 per cent as compared with an increase of 0.4 per cent in the preceding quarter. This is largely the result of change in the prices of imported animal and vegetable products. The export price index showed only a fractional increase.

A comparison between the first nine months of 1962 and the first nine months of 1963, indicates that about two thirds of the 6.0 per cent increase in the value of production represented a gain in real terms. Value, volume, and price changes for nine months comparison as well as for the second to third quarters comparison, are shown in the accompanying table.

Percent Changes - Current Dollars, Constant Dollars, and Prices

	2nd Quarter 1963 to 3rd Quarter 1963 (Seasonally Adjusted Data)			3 Quarters 1962 to 3 Quarters 1963 (Unadjusted for Seasonal Variation)		
	Value	Volume	Price ^{1/}	Value	Volume	Price ^{1/}
Personal Expenditure	2.1	1.5	0.6	5.3	3.7	1.6
Goods	2.5	1.6	0.9	4.7	3.2	1.5
Services	1.4	1.2	0.3	6.3	4.5	1.7
Government Expenditure	1.1	0.8	0.3	5.9	2.0	3.8
Gross Fixed Capital Formation	1.5	0.2	1.2	4.8	2.2	2.5
New Residential Construction	0.5	-	0.5	4.3	1.6	2.7
New Non-Residential Construction ..	-1.9	-2.9	1.0	2.1	-0.6	2.6
New Machinery and Equipment	5.3	3.5	1.8	7.7	5.2	2.3
Exports of Goods and Services	-0.6	-1.2	0.7	8.2	6.9	1.1
Imports of Goods and Services	3.9	2.6	1.2	2.9	-	2.8
Gross National Expenditure	1.3	0.9	0.5 ^{2/}	6.0	4.2	1.8

^{1/} Implicit Price Indexes.

^{2/} The base weighted price index of Gross National Expenditure showed a somewhat larger increase in price from the second to third quarter of 1963.

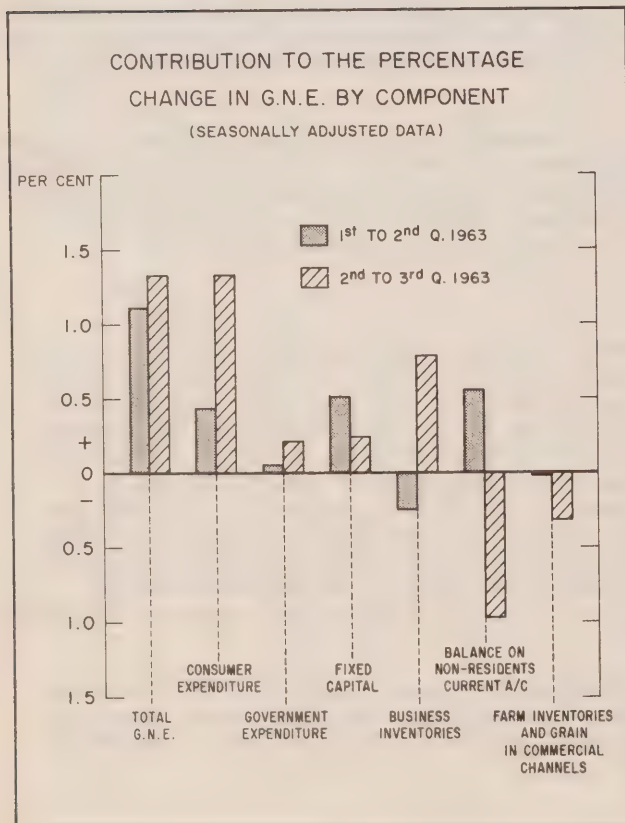
DEVELOPMENTS IN THE THIRD QUARTER

Consumer Expenditure

Personal spending on goods and services rose by 2 per cent, the largest increase since the first quarter of 1962. The pick-up was most pronounced in spending on non-durable goods following a weak second quarter. Purchases of durable goods rose by only 1 per cent as a slight dip in value of net purchases of new and used cars dampened gains in purchases of all other durable goods. About one third of the overall gain is attributable to rising prices, especially among non-durable goods. Consumer buying was particularly strong in Saskatchewan, probably in response to the buoyant level of farm incomes associated with recent record production and sales of grain crops.

The value of food purchases rose by 2 per cent while food prices were estimated to have increased by a little over 1 per cent; gains also occurred in purchases of clothing and gasoline, oil and grease. Small declines were registered in the purchases of tobacco, alcoholic beverages and fuel for home heating. The increase of $1\frac{1}{2}$ per cent in the value of services bought, was in line with the average growth rate for this component during recent years; spending on most types of services increased.

Net personal saving declined in the third quarter from a particularly high second quarter; this was the result not only of the increased rate of spending but also of a slight drop in personal disposable income due in large part to a decline in



net farm income following the unusually high payments to farmers by the Canadian Wheat Board in the second quarter. The ratio of net personal saving to personal disposable income was 8.1 per cent in the third quarter.

Business Fixed Capital Formation

Business fixed capital formation, including residential construction, rose by $1\frac{1}{2}$ per cent from the second to third quarter to reach an annual rate of \$7,376 million after allowance for seasonal factors. This rate of increase reflected a slowing down from that of the previous quarter and some changes in the behaviour of components behind the total. The estimated increase of just over \$100 million came entirely from the strength in business demands for machinery and equipment; new residential construction was virtually unchanged and the value of non-residential construction declined. The proportion of production currently being devoted to business fixed capital formation remained unchanged at 17 per cent as increases in capital spending were matched by the rise in gross national production.

The value of housing put in place rose by $1\frac{1}{2}$ per cent to an annual rate of \$1,648 million in the third quarter -- a fractional increase which was accounted for by price increases due in part to the imposition of the 4 per cent sales tax on building materials. The volume of housing starts rose in the third quarter by 5 per cent to an annual rate of 144 thousand, while completions declined by almost 8 per cent to an annual rate of 129 thousand. The rate of starts in the third quarter was one of the highest on record.

Business outlays on plant and machinery during the quarter amounted to an annual rate of \$5,728m, or almost 2 per cent above the second quarter. The increase in the current quarter was entirely due to the expenditures on machinery and equipment which rose 5 per cent to just over \$3,000 million, more than offsetting the 2 per cent decline in the value of non-residential construction to an annual rate of \$2,720 million. The volume decline in the latter was somewhat larger as there were price increases in building materials. Demand for agricultural machinery and equipment continued to be a source of considerable strength in raising the total level of spending on machinery.

Non-Farm Business Inventories

A building up of stocks was resumed in the third quarter after the slight liquidation which was experienced in the second quarter. The accumulation of about \$300 million at annual rates occurred at the manufacturers, wholesale and retail trade levels. Such an increase is not unusual at times when imports of goods are increasing as in the third quarter; moreover, there was also an increase during the quarter in loans to business by chartered banks, such loans frequently being an important source of finance for inventory investment. It is noteworthy that despite the current accumulation, the increase in inventories so far has not played as significant a role in the current expansion of business activity as was experienced in the two previous expansions and the level of stocks would not appear to be unduly high in relation to output.

Change in Non-Farm Business Inventories (Seasonally Adjusted at Annual Rates)

	1963		
	1st Q.	2nd Q.	3rd Q.
	(millions of dollars)		
Manufacturing	-44	60	64
Durables	16	4	96
Non-Durables	-60	56	-32
Wholesale	-28	-28	84
Retail	76	-92	164
Other Industries	60	20	-16
Grand Total	64	-40	296

In manufacturing, the build-up continued at the same rate as in the previous quarter with accumulation of durable goods more than offsetting a lower level of non-durable stocks. The accumulation appears to have been primarily in the finished goods stage of fabrication.

In wholesale trade, the movement was mixed and resulted in a small liquidation of durable goods, and a sharp accumulation of non-durable goods. The stock-to-sales ratio increased over the previous quarter.

In retail trades, the increase of stocks of dealers of motor vehicles, of farm implements, of food, and of apparel, more than offset the small liquidation which was recorded in most of the remaining trades. This stock accumulation, although strong, did not affect the stock-to-sales ratio which remained unchanged since the last quarter.

Exports and Imports of Goods and Services

The annual rate of the deficit on current account transactions with non-residents widened in the third quarter to \$748 million from \$336 million in the preceding period after discounting seasonal influences. This deterioration occurred largely as a result of the increased value of both imports of merchandise and of services. Merchandise exports declined slightly; receipts for services held at approximately the same level as in the previous quarter. Total payments for imports rose by just under 4 per cent to an annual rate of \$9,672 million while receipts for exports fell fractionally to \$8,924 million. Mainly because of the higher level of imports of goods noted above, the surplus on merchandise trade declined to an annual rate of about \$250 million from close to \$600 million.

Imports of merchandise rose by over 4 per cent to \$6,720 million, while increases in tourist expenditures abroad, in payment for freight and shipping services, and in the outflow of interest and dividends raised total payments for services to an annual rate of \$2,952 million, almost 3 per cent above the preceding quarter.

Merchandise exports declined by nearly 1 per cent in the third quarter after seasonal adjustment and were valued at an annual rate of \$6,968 million, while receipts for services increased by only one half of one per cent to \$1,956 million, mainly as a result of the increased tourist expenditures of foreigners in Canada. One of the main commodity exports contributing to the overall drop was nickel, the result of a decline to a more normal level from an exceptionally strong second quarter.

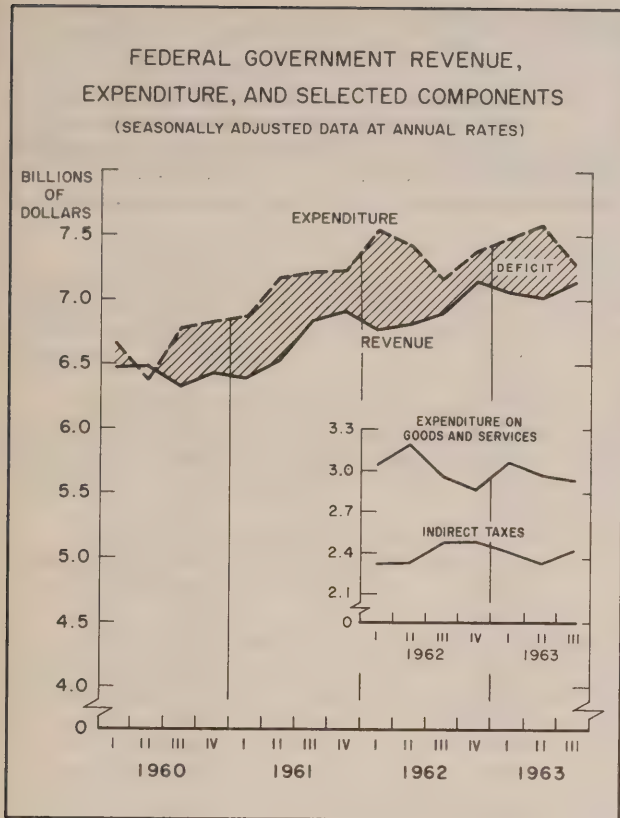
Exports and Imports of Merchandise and Services

(Seasonally Adjusted at Annual Rates)

	1962					1963		
	1Q	2Q	3Q	4Q	Annual	1Q	2Q	3Q
(Millions of Dollars)								
<u>Exports:</u>	7,940	8,272	8,248	8,436	8,224	8,480	8,976	8,924
Merchandise	6,152	6,404	6,376	6,524	6,364	6,560	7,032	6,968
Services	1,788	1,868	1,872	1,912	1,860	1,920	1,944	1,956
<u>Imports:</u>	8,972	9,176	9,144	8,840	9,033	9,052	9,312	9,672
Merchandise	6,120	6,172	6,424	6,120	6,209	6,176	6,444	6,720
Services	2,852	3,004	2,720	2,720	2,824	2,876	2,868	2,952
<u>Balance:</u>								
Total	-1,032	-904	-896	-404	-809	-572	-336	-748
Merchandise	32	232	-48	404	155	384	588	248
Services	-1,064	-1,136	-848	-808	-964	-956	-924	-996

Government Sector

Seasonally adjusted, the annual rate of expenditure on goods and services by all levels of government combined rose from \$8,152 million in the second quarter to \$8,244 million in the third, an increase of slightly over 1 per cent. Federal outlays on defence and non-defence declined by about one per cent and two per cent respectively and these were more than offset by increases in expenditures by the provinces and municipalities.



Subsidies paid by the federal government dropped sharply in the third quarter from an especially high second quarter; the latter reflected the large interim payments to the railway companies. Federal transfers to the provincial and municipal governments declined by nearly 12 per cent from the second quarter as the decrease in grants for technical and vocational training exceeded the increased payments under the Federal-Provincial Fiscal Arrangements Act and the Hospital Insurance and Diagnostic Services Act. Other expenditures of federal government showed little change.

Provincial and municipal transfer payments to persons increased by 6 per cent in the third quarter, mainly because of higher grants to hospitals and for education other than municipal schools.

Total revenues of the combined levels of government show little movement; an increase of about 2 per cent at the federal level being partly offset by a corresponding drop in provincial-municipal revenues. Within the total, the various revenue components showed conflicting movements; the rise in personal direct taxes and indirect taxes was offset by smaller accruals of corporate income taxes associated with lower profits. The larger indirect tax revenues reflect primarily the higher rate of excise taxes at the federal level.

The deficit in total declined from an annual rate of \$1,000 million in the second quarter to a rate of \$876 million in the third. Reflecting the divergent movements at the different levels of

government between total revenues and expenditures, the federal deficit dropped from \$572 million in the second quarter to \$148 million in the third, while that of the provincial and municipal governments rose by \$300 million, seasonally adjusted.

National Income

As noted earlier the annual rate of National Income rose by one third of a billion dollars to \$32.8 billion after adjustment for seasonal factors. This 1 per cent increase reflects advances in labour income partly offset by some slight declines in both profits and accrued net farm income.

Wages, salaries and supplementary labour income rose by 1½ per cent in the third quarter, reflecting in part the higher level of employment, especially in the trade and service industries. Some small part of the increase was due to retroactive wage payments to federal government employees.

Wage and salary payments in goods-producing industries were about 1/2 per cent above the second quarter, representing the smallest quarter-to-quarter increase since the current expansion. Gains in primary industries of under 3 per cent were partially offset by lower wage and salary payments in the construction industry. Wages and salaries in manufacturing rose less than 1 per cent.

Total wages and salaries for service-producing industries increased by just over 2 per cent. Finance and service recorded a gain of almost 3 per cent which is not unusually high for this group of industries, while wage and salary payments in trade rose by 2 per cent. The higher level of employment accounted for most of the increase in these industry groups.

Following increases in the first half of the year, profits in the current quarter registered a dip of about 2 per cent. The level, however, remained about 1½ per cent above that of the end of 1962, and the gain of about 35 per cent since the beginning of the current expansion is notable when viewed against the advance in total Gross National Product.

Percentage Changes in Corporation Profits

	2nd Q. 1963 to 3rd Q. 1963 (Seasonally Adjusted)	3 Quarters 1962 to 3 Quarters 1963 (Unadjusted for Seasonal Variation)
Mines, Quarries and Oil Wells	2.7	2.8
Manufacturing Industries:	-	8.3
Food and Beverage	2.7	11.1
Rubber	-	36.4
Textiles	11.1	6.7
Wood	4.2	11.3
Paper and Allied Products	10.3	-7.4
Printing, Publishing and Allied Products	25.0	4.3
Metal (Including Transportation Equipment)	-9.9	13.8
Electrical Products	-5.0	20.5
Non-Metallic Mineral Products	-5.6	6.4
Petroleum and Coal Products	9.1	8.2
Chemical and Chemical Products	2.9	8.8
Other Manufacturing	-12.5	8.2
Transportation, Storage and Communication	-8.1	18.2
Electric Power, Gas and Water Utilities ^{1/}	-36.8	15.3
Wholesale Trade	-17.9	11.4
Retail Trade	11.6	7.3
Finance, Insurance and Real Estate	-6.3	4.6
Community, Business and Personal Service Industries ...	4.8	-3.0
Other Non-Manufacturing	-	3.3
TOTAL ALL INDUSTRIES	-2.2	7.0

^{1/} The decline in profits of this group is partly due to the transfer from the private to the public business sector of the corporations acquired by the Quebec Hydro Electric Commission,

The chief industries in which declining profits were evident were wholesale trade, utilities, transportation, storage and communication and finance, insurance and real estate. Profits in manufacturing overall showed no change with production holding at the level of the second quarter; declines in metal industries (including transportation equipment), were offset by increased profits in the paper, printing and publishing industries, petroleum and coal, and food and beverage industries.

Production by Industry

Total production at factor cost, measured in quantity or base-year dollar terms and adjusted for seasonal variation, increased by a little over one half of one per cent in the third quarter compared with second quarter levels. This latest increase brings this volume aggregate to a level 12 per cent above its previous cyclical peak, reached in the first quarter of 1960. It also gives a 14 per cent increase from the cyclical low of the first quarter of 1961.

Real product less agriculture also increased by about one half of one per cent. The gain in this aggregate came largely from the 1 per cent increase in the service-producing industries, although the forestry component of the goods-producing group also contributed. Total goods less agriculture showed a decline.

Within the goods-producing industries, most major industry divisions declined slightly, with the exception of the industry mentioned above. Construction declined by 3 per cent, from the output plateau it has more or less maintained since the third quarter of 1961. This brings it to about 7 per cent below its 1958 post-war peak.

The quarterly averages of the monthly Index of Industrial Production^{1/} which accounts for about one third of total production, showed no change between the second and third quarters of the year. This latest development occurred as an almost 2 per cent decline in mining was offset by a more than 3 per cent gain in electric power and gas utilities. The utilities thus maintained the higher rate of increase established during the first quarter after a slight deceleration in the rate of increase during the latter part of 1961 and 1962. Manufacturing was virtually unchanged in the quarter; this was the first time since early in 1961 that this aggregate failed to show an increase. Non-durable manufacturing was up by 0.2 per cent, while durables declined by 0.3 per cent in the quarter.

As is to be expected, the fractional gain in total non-durables masked a number of largely offsetting changes in the detail. Gains were recorded in printing and publishing (+1%), paper products (+2%), textiles (+3%), and products of petroleum and coal (+4%). On the other hand, 2 per cent declines occurred in foods and beverages, clothing and leather products, while tobacco products were down by 4 per cent.

Within durables, with the exception of iron and steel (off 2 per cent), and non-metallic mineral products (up 2 per cent), changes were under 1 per cent in the major groups. In transportation equipment, motor vehicles continued to expand, registering a further 3 per cent gain in the quarter. Primary iron and steel was up slightly more than 1 per cent.

The drop in mining was concentrated in metals which fell almost 8 per cent. Each of the major metals declined with the exception of copper, which was up slightly. Non-metals and fuels were up by 6 and 3 per cent respectively.

Within the service-producing industries all major industry divisions showed an increase. The transportation, storage and communication group accounted for approximately one half of the increase in aggregate output. Increases were particularly strong in oil and gas pipeline transport and air transport. Both industries, during the post-war period, have been among the most rapidly expanding in the economy. Air transport showed some signs of slowing down during 1962, but the current quarterly increase follows a higher rate exhibited in the first quarter. Water transport also increased during the third quarter, as did storage, due to a sharp rise in the handling of grain at grain elevators.

Trade, which generally follows an expansionary path roughly similar to those of manufacturing and transportation, increased only marginally during the quarter, as a result of gains in retail trade offsetting losses in wholesale trade. The increase in department store volume constituted the largest single contribution to the gain in retail trade. Very notable was the large increase in the farm implement dealer component, which was paralleled to some extent by an expansion in farm machinery sales at the wholesale level. Since mid-1962 there has been some deceleration in the quarter-to-quarter increases in both retail and wholesale trade.

The remaining service-producing industries continued to make moderate gains. The increase in the public administration and defence industry group was concentrated in the municipal and provincial government components; the federal component showed a decline. Elsewhere both the business and personal service industries reflected gains in the third quarter.

DEVELOPMENTS IN THREE QUARTERS OF 1963

Demand Components

The introductory review noted that Gross National Product for the first three quarters of the year stood 6 per cent higher than for the same period of 1962, and that all components of final demand shared in the growth.

The slightly more than 5 per cent increase in personal spending between the three quarters of 1963 and the same period of 1962 was approximately the same as between 1961 and 1962, and constituted an important element in the continued expansion of Gross National Product. Of prime importance in the

^{1/} As noted in the July and August reports on industrial production (DBS Catalogue No. 61-005), users should be cautious in their interpretation of the seasonally adjusted figures for the summer months this year since they seem to be subject to unusual phenomena. It appears that there may be developing a changing pattern of seasonality in production in the summer months due to the wider extension and concentration of holidays in industry. With a 1.4 per cent increase in September over August there was strength in industrial production at the end of the quarter.

increases were personal outlays for services, with a more than 6 per cent increase, as expenditure on shelter and miscellaneous services rose more sharply than last year. Non-durable goods sold to persons were 4 per cent higher and durables 8 per cent higher than in the first three quarters of 1962. The quarterly increases since the beginning of the year, which amount to $4\frac{1}{2}$ per cent, reflect the greater importance of consumers demand in the current year than in 1962 when the increases amounted to 3 per cent.

Percentage Change in Consumer Expenditure

	Year 1961 to Year 1962	3 Quarters 1962 to 3 Quarters 1963
Food	3.3	4.1
Clothing	3.7	3.6
Other	7.9	4.1
Total Non-Durable Goods	5.1	4.0
Appliances and Radios	0.8	2.8
Home Furnishings and Furniture	4.3	4.4
Autos (New and Used)	14.1	11.7
Other	3.0	3.1
Total Durable Goods	8.0	7.8
Total All Goods	5.6	4.7
Total Services	4.5	6.3
Total Personal Expenditure	5.2	5.3
(Goods and Services)		

Government expenditure on goods and services were 6 per cent higher than in 1962. The pattern of spending in the first three quarters of this year, seasonally adjusted, registered continuous growth but at a reduced rate from that prevailing in the early months of the year. This pattern is in contrast with the previous year when there was little change in the first quarter followed by a sharp increase in the spring quarter and then a decline after the introduction of government austerity measures.

Business fixed capital formation, although higher by almost 5 per cent than the three quarters of 1962, has not been sufficiently strong to achieve the increase of about $7\frac{1}{2}$ per cent between 1962-1963 anticipated in the mid-year survey of investment intentions. The main element of strength has been the demand for machinery and equipment which is close to 8 per cent higher than the comparable period of last year. The value of non-residential construction was only 2 per cent higher this year. The quarterly movements for any single component of business fixed capital formation have tended to be erratic, although on balance some overall increase in capital formation has been achieved in each quarter of 1963. This expansion contrasts with 1962 when persistent declines in non-residential construction caused the aggregate to turn down in the second quarter. The less hesitant movement in 1963 has produced a $4\frac{1}{2}$ per cent rise since the beginning of the year, stronger than the increase in the comparable 1962 period.

During the first nine months of the year the deficit on current account with non-residents narrowed to \$400 million from \$700 million in the same period of the previous year. The improvement resulted mainly from a higher level of merchandise exports, total exports rising by over 8 per cent as against increased imports of only 3 per cent. The pattern emerging in the first three quarters of the year, after discounting seasonal influences, is one of a sizeable but quite volatile surplus on merchandise trade and a deficit on services and non-merchandise items which has remained high, although lower than that in the comparable period of 1962. The differences between the seasonally adjusted quarter-to-quarter movements in total exports and imports in the current year have been quite significant and present a different picture from the year-to-year comparison. After a fractional rise at the beginning of the year, exports jumped sharply in the second quarter and then dropped back slightly in the summer months to give a total rise since the beginning of the year of just under 6 per cent. Imports meanwhile have expanded regularly and with above average quarterly increases for recent years, to register a $9\frac{1}{2}$ per cent climb since the beginning of the year. This rise may in part be due to the removal on April 1, 1963, of the remaining temporary import surcharges.

Government Sector

Comparing the nine months of 1963 with the corresponding period of the previous year, the total deficit of the federal government declined from \$440 million in 1962 to \$299 million in 1963 as increased revenues more than offset the slight increase in expenditures. At the provincial and municipal levels, however, total expenditures rose by 11 per cent while revenues increased by only 8 per cent, enlarging the deficit from \$149 million in the nine months of 1962 to \$328 million in 1963.

Outlays on goods and services by the federal government showed little change between the first three quarters of 1962 and 1963; the expenditures by the provincial and municipal governments, however, show a gain of over 11 per cent, mainly due to increases in salaries, wages and supplementary labour income, larger expenditures on highways and vocational schools.

In the nine-month comparison, other expenditures also showed sharp changes. Federal subsidies rose by 32 per cent as increases in the loss of the Agricultural Stabilization Board and in interim payments to railway companies more than offset declines in assistance for storage costs on grain and in payments under the Freight Rates Reduction Act. There was a 5 per cent increase from the first nine months of 1962 to the nine months of 1963 in federal transfers to the provincial-municipal governments, mainly because of substantial increases in grants for technical and vocational training and under the Hospital Insurance and Diagnostic Services Act while payments under the taxation agreements, health grants and grants toward the construction of the Trans-Canada Highway were lower.

There was a rise of over 10 per cent in transfer payments to persons by the provincial and municipal governments, including higher grants to hospitals and for education, other than municipal schools, and larger payments for social assistance and old age and blind allowances.

On the revenue side, federal receipts from personal direct taxes for the first nine months of 1963 were nearly 4 per cent higher than in the same period of the previous years. It may be noted that the federal abatement in respect of personal income taxes in favour of the provinces rose from 16 per cent in 1962 to 17 per cent in 1963. At the provincial and municipal level the increase amounted to 14 per cent, partly reflecting the higher abatement and increased revenues from hospital insurance premiums and motor vehicle licenses and permits.

Indirect taxes revenues of provincial and municipal governments combined rose by 9 per cent between the two nine-month periods attributable to larger returns from gasoline and sales taxes and increases in real property tax revenue.

National Income

The Net National Income generated by increased production was 7 per cent higher in the first three quarters of 1963 than in the similar period of 1962, with increases occurring in each quarter of the current year. The increase is mainly attributable to higher wages, salaries and supplementary labour income, although farm income, corporation profits, and investment income were all significantly higher.

Labour income, which was 6½ per cent higher in the first nine months of 1963 than the previous year, has also experienced sharper quarterly gains since the beginning of this year than in 1962, with above average increases in both the first and third quarters. Gains so far this year amount to 6 per cent, about 1 per cent greater than increases in 1962. With record crop production in 1963, the relative gain in accrued farm income has been particularly sharp in an over-the-year comparison.

Corporation profits which experienced such rapid growth in the early stage of the current expansion showed an overall increase, the three quarters of 1963 being 7 per cent above the comparable 1962 period. During the current year the advance of 1½ per cent in the seasonally adjusted data is a repetition of the hesitancy which marked the opening quarters of 1962.

Accrued net income of farm operators from farm production increased sharply in 1963 compared with the same period in 1962, with much of the increase attributable to the value of the 1963 crop, 16 per cent higher than the 1962 crop. Cash receipts from the sale of farm products also increased, with particularly sharp increases in the income from the sale of wheat, oats, and barley. Production of livestock showed little change during the period.

Production by Industry

A comparison of the seasonally unadjusted data for the first nine months of 1963 with the corresponding data for 1962 reveals a more than 4 per cent increase in real product. This increase is reduced slightly by the exclusion of agriculture.

Among the goods-producing industries, manufacturing increased by almost 5 per cent, with the durables component showing the largest gains (6 per cent). Most of the strength here continued to come from the strong expansion in motor vehicle output, along with such other industries as iron and steel products, electrical apparatus and supplies and wood products. There was a fractional decline in construction and a slowdown in the rate of increase in mining as a result of a decline in metal mining which tended to offset large increases in natural gas and fuel mining. The service-producing industries increased by about 4 per cent. Electric power and gas utilities showed the highest increase, 7 per cent. This is about the same as the rate of increase maintained over the past two years. Higher than average output increases continued to be made in the cyclically sensitive transportation, storage and communication group, while trade increased less rapidly (3 per cent). The largest decline from earlier rates of expansion of any one service group occurred in public administration and defence, which showed a 1 per cent increase over 1962. The remaining service-producing industries continued to expand in line with their long-term trends.^{1/}

^{1/} See DBS Reference Paper, Indexes of Real Domestic Product by Industry of Origin (Catalogue No. 61-505), for an analysis of these trends.

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income ...	4,792	5,095	5,272	5,200	20,359	5,113	5,418	5,607
2. Military pay and allowances	147	152	145	142	586	136	157	148
3. Corporation profits before taxes	771	1,047	985	1,021	3,824	826	1,123	1,049
4. Deduct: Dividends paid to non-residents(1)	- 128	- 148	- 116	- 178	- 570	- 143	- 117	- 116
5. Rent, interest, and miscellaneous investment income	671	676	694	727	2,768	713	736	750
6. Accrued net income of farm operators from farm production(2)	29	123	1,188	51	1,391	47	150	1,387
7. Net income of non-farm unincorporated business(3) ..	486	585	573	736	2,380	502	598	604
8. Inventory valuation adjustment(4)	- 27	- 44	- 49	- 12	- 132	- 36	- 74	- 37
9. NET NATIONAL INCOME AT FACTOR COST	6,741	7,486	8,692	7,687	30,606	7,158	7,991	9,392
10. Indirect taxes less subsidies	1,254	1,314	1,368	1,325	5,261	1,343	1,345	1,406
11. Capital consumption allowances and miscellaneous valuation adjustments	1,119	1,197	1,196	1,243	4,755	1,154	1,227	1,216
12. Residual error of estimate	- 155	- 227	82	79	- 221	- 158	- 234	42
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	8,959	9,770	11,338	10,334	40,401	9,497	10,329	12,056
14. (Gross national product at market prices excluding accrued net income of farm operators)	(8,930)	(9,647)	(10,150)	(10,283)	(39,010)	(9,450)	(10,179)	(10,669)

(1) Includes the withholding tax applicable to this item.

(2) Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

(3) Includes net income of independent professional practitioners.

(4) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	6,010	6,443	6,274	7,022	25,749	6,306	6,767	6,650
2. Government expenditure on goods and services(1, 2) .	1,704	1,827	2,200	1,990	7,721	1,866	1,883	2,322
3. Business gross fixed capital formation(3)	1,412	1,800	1,931	1,811	6,954	1,458	1,904	2,027
4. New residential construction	293	392	457	435	1,577	299	414	478
5. New non-residential construction	520	643	787	718	2,668	506	671	813
6. New machinery and equipment	599	765	687	658	2,709	653	819	736
7. Value of physical change in inventories(4)	- 4	- 173	1,048	- 306	565	- 58	- 278	1,090
8. Non-farm business inventories	245	- 45	132	43	375	203	- 167	27
9. Farm inventories and grain in commercial channels	- 249	- 128	916	- 349	190	- 261	- 111	1,063
10. Exports of goods and services	1,728	2,072	2,246	2,178	8,224	1,833	2,252	2,455
11. Deduct: Imports of goods and services	- 2,047	- 2,425	- 2,278	- 2,283	- 9,033	- 2,066	- 2,433	- 2,445
12. Residual error of estimate	156	226	- 83	- 78	221	158	234	- 43
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	8,959	9,770	11,338	10,334	40,401	9,497	10,329	12,056

(1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

(2) For details of defence expenditure see line 3, Table 6.

(3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

(4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Source of Personal Income, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	4,792	5,095	5,272	5,200	20,359	5,113	5,418	5,607
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 199	- 196	- 209	- 212	- 816	- 209	- 205	- 215
3. Military pay and allowances	147	152	145	142	586	136	157	148
4. Net income received by farm operators from farm production(1)	1	222	1,149	30	1,402	17	201	1,329
5. Net income of non-farm unincorporated business	486	585	573	736	2,380	502	598	604
6. Interest, dividends, and net rental income of persons(2)	726	787	773	900	3,186	789	849	814
Transfer payments to persons:								
7. From government (excluding interest)	1,075	885	835	857	3,652	1,076	935	891
8. Charitable contributions by corporations	9	12	12	12	45	10	12	12
9. PERSONAL INCOME	7,037	7,542	8,550	7,665	30,794	7,434	7,965	9,190

(1) This item differs from line 6, Table 1, by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 4. Disposition of Personal Income, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Personal direct taxes	625	719	674	696	2,714	680	742	719
2. Income taxes	498	627	587	599	2,311	557	649	628
3. Succession duties and estate taxes	42	40	43	41	166	36	37	45
4. Miscellaneous	85	52	44	56	237	87	56	46
5. Personal expenditure on consumer goods and services ..	6,010	6,443	6,274	7,022	25,749	6,306	6,767	6,650
6. Non-durable goods	2,934	3,085	3,199	3,659	12,877	3,049	3,184	3,354
7. Durable goods	643	826	621	823	2,913	674	900	679
8. Services(1)	2,433	2,532	2,454	2,540	9,959	2,583	2,683	2,617
9. Personal net saving	402	380	1,602	- 53	2,331	448	456	1,821
10. Personal saving excluding change in farm inventories	580	413	762	427	2,182	687	529	824
11. Value of physical change in farm inventories	- 178	- 33	840	- 480	149	- 239	- 73	997
12. PERSONAL INCOME	7,037	7,542	8,550	7,665	30,794	7,434	7,965	9,190
13. (Personal disposable income)(2)	(6,412)	(6,823)	(7,876)	(6,969)	(28,080)	(6,754)	(7,223)	(8,471)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 5. Government Revenue, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Direct taxes - Persons	625	719	674	696	2,714	680	742	719
2. Federal	468	563	526	531	2,088	488	572	555
3. Provincial and municipal	157	156	148	165	626	192	170	164
4. Direct taxes - Corporations	379	470	443	458	1,750	400	498	468
5. Federal	288	357	336	347	1,328	304	378	355
6. (Federal tax collections)	(317)	(367)	(322)	(288)	(1,294)	(305)	(373)	(338)
7. Provincial	91	113	107	111	422	96	120	113
8. (Provincial tax collections)	(91)	(79)	(100)	(91)	(361)	(109)	(110)	(129)
Withholding taxes:								
9. Federal	26	35	23	41	125	31	30	24
10. Indirect taxes	1,314	1,381	1,431	1,426	5,552	1,404	1,442	1,497
11. Federal	528	596	635	641	2,400	550	592	620
12. Provincial and municipal	786	785	796	785	3,152	854	850	877
13. Investment income	270	291	276	374	1,211	281	331	316
14. Federal	79	111	90	168	448	88	132	125
15. Provincial and municipal	191	180	186	206	763	193	199	191
16. Employer and employee contributions to social insurance and government funds	199	196	209	212	816	209	205	215
17. Federal	128	122	133	135	518	132	126	135
18. Provincial and municipal	71	74	76	77	298	77	79	80
Transfers from Federal:								
19. Provincial and municipal	300	256	278	302	1,136	302	308	264
20. TOTAL REVENUE	3,113	3,348	3,334	3,509	13,304	3,307	3,556	3,503
21. FEDERAL	1,517	1,784	1,743	1,863	6,907	1,593	1,830	1,814
22. PROVINCIAL and MUNICIPAL	1,596	1,564	1,591	1,646	6,397	1,714	1,726	1,689

TABLE 6. Government Expenditure, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Goods and services	1,704	1,827	2,200	1,990	7,721	1,866	1,883	2,322
2. Federal	751	770	772	715	3,008	748	723	771
3. (Defence)	(471)	(401)	(398)	(410)	(1,680)	(410)	(376)	(392)
4. Provincial and municipal	953	1,057	1,428	1,275	4,713	1,118	1,160	1,551
5. Transfer payments to persons (excluding interest on the public debt)	1,075	885	835	857	3,652	1,076	935	891
6. Federal	665	524	453	480	2,122	629	538	461
7. Provincial and municipal	410	361	382	377	1,530	447	397	430
8. Interest on the public debt	242	323	269	440	1,274	263	349	285
9. Federal	157	199	189	310	855	163	206	199
10. Provincial and municipal	85	124	80	130	419	100	143	86
11. Subsidies	60	67	63	101	291	61	97	91
12. Federal	57	63	50	90	260	59	93	72
13. Provincial	3	4	13	11	31	2	4	19
Transfers to other levels of government:								
14. Federal	300	256	278	302	1,136	302	308	264
15. Total expenditure	3,381	3,358	3,645	3,690	14,074	3,568	3,572	3,853
16. Federal	1,930	1,812	1,742	1,897	7,381	1,901	1,868	1,767
17. Provincial and municipal	1,451	1,546	1,903	1,793	6,693	1,667	1,704	2,086
18. Deficit (-) or surplus (+)	- 268	- 10	- 311	- 181	- 770	- 261	- 16	- 350
19. Federal	- 413(1)	- 28	1	- 34	- 474	- 308	- 38	47
20. Provincial and municipal	145(1)	18	- 312	- 147	- 296	47	22	- 397
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	3,113	3,348	3,334	3,509	13,304	3,307	3,556	3,503
22. FEDERAL	1,517	1,784	1,743	1,863	6,907	1,593	1,830	1,814
23. PROVINCIAL and MUNICIPAL	1,596	1,564	1,591	1,646	6,397	1,714	1,726	1,689

(1) In this quarter the federal deficit is irregularly high by about \$75 million and the provincial - municipal surplus also correspondingly high as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements.

TABLE 7. Source of National Saving, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Personal net saving	402	380	1,602	- 53	2,331	448	456	1,821
2. Business gross saving	1,293	1,401	1,540	1,489	5,723	1,332	1,547	1,608
3. Undistributed corporation profits	146	303	305	225	979	148	371	334
4. Capital consumption allowances and miscellaneous valuation adjustments	1,119	1,197	1,196	1,243	4,755	1,154	1,227	1,216
5. Adjustment on grain transactions(1)	28	- 99	39	21	- 11	30	- 51	58
6. Inventory valuation adjustment	- 27	- 44	- 49	- 12	- 132	- 36	- 74	- 37
7. Government surplus (+) or deficit (-)	- 268	- 10	- 311	- 181	- 770	- 261	- 16	- 350
8. Residual error of estimate	- 155	- 227	82	79	- 221	- 158	- 234	42
9. Totals	1,245	1,500	2,864	1,322	6,931	1,325	1,679	3,084

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 8. Disposition of National Saving, by Quarters, 1962 and 1963
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Business gross fixed capital formation	1,412	1,800	1,931	1,811	6,954	1,458	1,904	2,027
2. New residential construction	293	392	457	435	1,577	299	414	478
3. New non-residential construction	520	643	787	718	2,668	506	671	813
4. New machinery and equipment	599	765	687	658	2,709	653	819	736
5. Value of physical change in inventories	- 4	- 173	1,048	- 306	565	- 58	- 278	1,090
6. Surplus (+) or deficit (-) on current account with non-residents	- 319	- 353	- 32	- 105	- 809	- 233	- 181	10
7. Residual error of estimate	156	226	- 83	- 78	221	158	234	- 43
8. Totals	1,245	1,500	2,864	1,322	6,931	1,325	1,679	3,084

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1962 and 1963(1)
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	5,627	6,000	5,795	6,493	23,915	5,807	6,214	6,040
2. Non-durable goods	2,820	2,947	3,026	3,456	12,249	2,882	2,996	3,107
3. Durable goods	638	818	619	813	2,888	667	888	673
4. Services	2,169	2,235	2,150	2,224	8,778	2,258	2,330	2,260
5. Government expenditure on goods and services	1,440	1,611	2,000	1,710	6,761	1,523	1,588	2,042
6. Business gross fixed capital formation	1,282	1,622	1,733	1,620	6,257	1,290	1,679	1,770
7. New residential construction	263	348	403	383	1,397	261	358	411
8. New non-residential construction	475	585	718	652	2,430	451	597	720
9. New machinery and equipment	544	689	612	585	2,430	578	724	639
10. Change in inventories	41	- 183	953	- 262	549	- 13	- 302	1,013
11. Non-farm business inventories	245	- 48	117	45	359	205	- 152	17
12. Farm inventories and grain in commercial channels	- 204	- 135	836	- 307	190	- 218	- 150	996
13. Exports of goods and services	1,646	1,944	2,104	2,035	7,729	1,711	2,095	2,282
14. Deduct: Imports of goods and services	- 1,887	- 2,197	- 2,060	- 2,075	- 8,219	- 1,853	- 2,159	- 2,134
15. Residual error of estimate	144	208	- 77	- 72	203	143	212	- 39
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	8,293	9,005	10,448	9,449	37,195	8,608	9,327	10,974

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, derived by dividing the value figures in Table 2 by the constant dollar figures in Table 9, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	19,940	20,268	20,500	20,728	20,359	21,272	21,536	21,844
2. Military pay and allowances	600	588	600	556	586	548	608	596
3. Corporation profits before taxes	3,720	3,836	3,772	3,968	3,824	3,984	4,120	4,028
4. Deduct: Dividends paid to non-residents(1)	- 576	- 636	- 512	- 556	- 570	- 628	- 532	- 516
5. Rent, interest, and miscellaneous investment income	2,692	2,732	2,720	2,928	2,768	2,840	2,992	2,940
6. Accrued net income of farm operators from farm production(2)	1,416	1,420	1,452	1,276	1,391	1,536	1,564	1,528
7. Net income of non-farm unincorporated business(3)	2,432	2,360	2,344	2,384	2,380	2,464	2,428	2,496
8. Inventory valuation adjustment	- 108	- 176	- 196	- 48	- 132	- 144	- 296	- 148
9. NET NATIONAL INCOME AT FACTOR COST	30,116	30,392	30,680	31,236	30,606	31,872	32,420	32,768
10. Indirect taxes less subsidies	5,152	5,192	5,424	5,276	5,261	5,516	5,332	5,552
11. Capital consumption allowances and miscellaneous valuation adjustments	4,660	4,704	4,756	4,900	4,755	4,820	4,844	4,848
12. Residual error of estimate	- 380	- 240	- 104	- 160	- 221	- 220	- 144	- 152
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	39,548	40,048	40,756	41,252	40,401	41,988	42,452	43,016
14. (Gross national product at market prices excluding accrued net income of farm operators)	(38,132)	(38,628)	(39,304)	(39,976)	(39,010)	(40,452)	(40,888)	(41,488)

(1) See footnote 1, Table 1.

(2) Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

(3) Includes net income of independent professional practitioners.

TABLE 11. Gross National Expenditure, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	25,540	25,592	25,696	26,168	25,749	26,644	26,824	27,388
2. Government expenditure on goods and services(1, 2)	7,384	7,900	7,824	7,776	7,721	8,128	8,152	8,244
3. Business gross fixed capital formation(3)	6,888	6,860	7,016	7,052	6,954	7,056	7,268	7,376
4. New residential construction	1,536	1,564	1,616	1,592	1,577	1,564	1,640	1,648
5. New non-residential construction	2,756	2,676	2,588	2,652	2,668	2,684	2,772	2,720
6. New machinery and equipment	2,596	2,620	2,812	2,808	2,709	2,808	2,856	3,008
7. Value of physical change in inventories	384	360	1,016	500	565	508	400	600
8. Non-farm business inventories	200	328	800	172	375	64	- 40	296
9. Farm inventories and grain in commercial channels(4)	184	32	216	328	190	444	440	304
10. Exports of goods and services	7,940	8,272	8,248	8,436	8,224	8,480	8,976	8,924
11. Deduct: Imports of goods and services	- 8,972	- 9,176	- 9,144	- 8,840	- 9,033	- 9,052	- 9,312	- 9,672
12. Residual error of estimate	384	240	100	160	221	224	144	156
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	39,548	40,048	40,756	41,252	40,401	41,988	42,452	43,016
Detail of Farm Inventories and GICC:								
Value of grain crop production	1,172	1,176	1,176	1,176	1,175	1,364	1,368	1,368
Depletions of farm stocks of grain	- 856	- 872	- 1,104	- 1,364	- 1,049	- 1,168	- 1,084	- 1,244
Change in livestock inventories	28	24	52	- 12	23	- 56	48	- 16
Grain in commercial Channels	- 160	- 296	92	528	41	304	108	196

(1) See footnote 1, Table 2.

(2) For details of defence expenditures, see line 3, Table 15.

(3) See footnote 3, Table 2.

(4) In the seasonally adjusted series, the value of grain production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 2, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 12. Source of Personal Income, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	19,940	20,268	20,500	20,728	20,359	21,272	21,536	21,844
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 792	- 812	- 828	- 832	- 816	- 832	- 848	- 852
3. Military pay and allowances	600	588	600	556	586	548	608	596
4. Net income received by farm operators from farm production(1)	1,200	1,792	1,340	1,276	1,402	1,348	1,792	1,384
5. Net income of non-farm unincorporated business	2,432	2,360	2,344	2,384	2,380	2,464	2,428	2,496
6. Interest, dividends, and net rental income of persons(2)	3,020	3,192	3,204	3,328	3,186	3,288	3,400	3,376
Transfer payments to persons:								
7. From government (excluding interest)	3,760	3,572	3,596	3,680	3,652	3,740	3,780	3,832
8. Charitable contributions by corporations	44	44	44	48	45	48	48	48
9. PERSONAL INCOME	30,204	31,004	30,800	31,168	30,794	31,876	32,744	32,724

(1) This item differs from line 6, Table 10 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.
(2) Includes all government debt interest paid to persons.

TABLE 13. Disposition of Personal Income, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Personal direct taxes	2,640	2,652	2,752	2,812	2,714	2,884	2,764	2,916
2. Income taxes	2,220	2,272	2,348	2,404	2,311	2,492	2,376	2,492
3. Succession duties and estate taxes	168	160	172	164	166	144	148	180
4. Miscellaneous	252	220	232	244	237	248	240	244
5. Personal expenditure on consumer goods and services	25,540	25,592	25,696	26,168	25,749	26,644	26,824	27,388
6. Non-durable goods	12,832	12,724	12,920	13,032	12,877	13,240	13,164	13,544
7. Durable goods	2,928	2,932	2,764	3,028	2,913	3,028	3,120	3,152
8. Services(1)	9,780	9,936	10,012	10,108	9,959	10,376	10,540	10,692
9. Personal net saving	2,024	2,760	2,352	2,188	2,331	2,348	3,156	2,420
10. PERSONAL INCOME	30,204	31,004	30,800	31,168	30,794	31,876	32,744	32,724
11. (Personal disposable income)(2)	(27,564)	(28,352)	(28,048)	(28,356)	(28,080)	(28,992)	(29,980)	(29,808)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 14. Government Revenue, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Direct taxes - Persons	2,640	2,652	2,752	2,812	2,714	2,884	2,764	2,916
2. Federal	2,072	2,040	2,104	2,136	2,088	2,192	2,096	2,204
3. Provincial and municipal	568	612	648	676	626	692	668	712
4. Direct taxes - Corporations	1,768	1,768	1,700	1,764	1,750	1,816	1,864	1,788
5. Federal	1,356	1,348	1,296	1,312	1,328	1,380	1,412	1,352
6. (Federal tax collections)	(1,368)	(1,296)	(1,252)	(1,260)	(1,294)	(1,312)	(1,320)	(1,340)
7. Provincial	412	420	404	452	422	436	452	436
8. (Provincial tax collections)	(324)	(304)	(404)	(412)	(361)	(400)	(428)	512
Withholding taxes:								
9. Federal	104	144	112	140	125	124	124	116
10. Indirect taxes	5,424	5,464	5,648	5,672	5,552	5,788	5,724	5,872
11. Federal	2,316	2,324	2,480	2,480	2,400	2,404	2,324	2,412
12. Provincial and municipal(1)	3,108	3,140	3,168	3,192	3,152	3,384	3,400	3,460
13. Investment income	1,192	1,200	1,148	1,304	1,211	1,240	1,352	1,328
14. Federal	408	444	388	552	448	440	528	524
15. Provincial and municipal	784	756	760	752	763	800	824	804
16. Employer and employee contributions to social insurance and government pension funds	792	812	828	832	816	832	848	852
17. Federal	508	516	524	524	518	524	532	532
18. Provincial and municipal	284	296	304	308	298	308	316	320
Transfers from federal:								
19. Provincial and municipal	1,184	1,004	1,156	1,200	1,136	1,188	1,236	1,092
20. TOTAL REVENUE	13,104	13,044	13,344	13,724	13,304	13,872	13,912	13,964
21. FEDERAL	6,764	6,816	6,904	7,144	6,907	7,064	7,016	7,140
22. PROVINCIAL and MUNICIPAL	6,340	6,228	6,440	6,580	6,397	6,808	6,896	6,824

(1) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 15. Government Expenditure, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Goods and services	7,384	7,900	7,824	7,776	7,721	8,128	8,152	8,244
2. Federal	3,032	3,188	2,952	2,860	3,008	3,060	2,972	2,936
3. (Defence)	(1,684)	(1,744)	(1,644)	(1,648)	(1,680)	(1,468)	(1,616)	(1,604)
4. Provincial and municipal	4,352	4,712	4,872	4,916	4,713	5,068	5,180	5,308
5. Transfer payments to persons (excluding interest on the public debt)	3,760	3,572	3,596	3,680	3,652	3,740	3,780	3,832
6. Federal	2,312	2,088	2,032	2,056	2,122	2,156	2,140	2,092
7. Provincial and municipal	1,448	1,484	1,564	1,624	1,530	1,584	1,640	1,740
8. Interest on the public debt	1,172	1,320	1,260	1,344	1,274	1,300	1,352	1,352
9. Federal	772	912	828	908	855	836	880	884
10. Provincial and municipal	400	408	432	436	419	464	472	468
11. Subsidies	272	272	224	396	291	272	392	320
12. Federal	244	240	192	364	260	244	360	284
13. Provincial	28	32	32	32	31	28	32	36
Transfers to other levels of government:								
14. Federal	1,184	1,004	1,156	1,200	1,136	1,188	1,236	1,092
15. Total expenditure	13,772	14,068	14,060	14,396	14,074	14,628	14,912	14,840
16. Federal	7,544	7,432	7,160	7,388	7,381	7,484	7,588	7,288
17. Provincial and municipal	6,228	6,636	6,900	7,008	6,693	7,144	7,324	7,552
18. Deficit (-) or surplus (+)	- 668	- 1,024	- 716	- 672	- 770	- 756	- 1,000	- 876
19. Federal	- 780(1)	- 616	- 256	- 244	- 474	- 420	- 572	- 148
20. Provincial and municipal	112(1)	- 408	- 460	- 428	- 296	- 336	- 428	- 728
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	13,104	13,044	13,344	13,724	13,304	13,872	13,912	13,964
22. FEDERAL	6,764	6,816	6,904	7,144	6,907	7,064	7,016	7,140
23. PROVINCIAL and MUNICIPAL	6,340	6,228	6,440	6,580	6,397	6,808	6,896	6,824

(1) In this quarter the federal deficit is irregularly high by about \$300 million and the provincial-municipal deficit correspondingly low as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements.

TABLE 16. Source of National Saving, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Personal net saving	2,024	2,760	2,352	2,188	2,331	2,348	3,156	2,420
2. Business gross saving	5,756	5,236	5,900	6,000	5,723	5,988	5,760	6,140
3. Undistributed corporation profits	880	904	1,032	1,100	979	980	1,144	1,148
4. Capital consumption allowances and miscellaneous valuation adjustments	4,660	4,704	4,756	4,900	4,755	4,820	4,844	4,848
5. Adjustment on grain transactions(1)	216	- 372	112	-	- 11	188	- 228	144
6. Inventory valuation adjustment	- 108	- 176	- 196	- 48	- 132	- 144	- 296	- 148
7. Government surplus (+) or deficit (-)	- 668	- 1,024	- 716	- 672	- 770	- 756	- 1,000	- 876
8. Residual error of estimate	- 380	- 240	- 104	- 160	- 221	- 220	- 144	- 152
9. Totals	6,624	6,556	7,236	7,308	6,931	7,216	7,476	7,384

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 17. Disposition of National Saving, by Quarters, 1962 and 1963 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Business gross fixed capital formation	* 6,888	6,860	7,016	7,052	6,954	7,056	7,268	7,376
2. New residential construction	1,536	1,564	1,616	1,592	1,577	1,564	1,640	1,648
3. New non-residential construction	2,756	2,676	2,588	2,652	2,668	2,684	2,772	2,720
4. New machinery and equipment	2,596	2,620	2,812	2,808	2,709	2,808	2,856	3,008
5. Value of physical change in inventories	384	360	1,016	500	565	508	400	600
6. Surplus (+) or deficit (-) on current account with non-residents	- 1,032	- 904	- 896	- 404	- 809	- 572	- 336	- 748
7. Residual error of estimate	384	240	100	160	221	224	144	156
8. Totals	6,624	6,556	7,236	7,308	6,931	7,216	7,476	7,384

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1962 and 1963(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

	1962					1963		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	23,912	23,828	23,784	24,136	23,915	24,536	24,608	24,968
2. Non-durable goods	12,308	12,136	12,256	12,296	12,249	12,496	12,368	12,604
3. Durable goods	2,912	2,912	2,732	2,996	2,888	3,000	3,088	3,104
4. Services	8,692	8,780	8,796	8,844	8,778	9,040	9,152	9,260
5. Government expenditure on goods and services	6,544	6,948	6,836	6,716	6,761	6,924	6,844	6,900
6. Business gross fixed capital formation	6,268	6,192	6,284	6,284	6,257	6,256	6,420	6,436
7. New residential construction	1,376	1,392	1,424	1,396	1,397	1,364	1,420	1,420
8. New non-residential construction	2,532	2,440	2,352	2,396	2,430	2,404	2,476	2,404
9. New machinery and equipment	2,360	2,360	2,508	2,492	2,430	2,488	2,524	2,612
10. Change in inventories	416	396	960	424	549	480	364	588
11. Non-farm business inventories	204	316	760	156	359	68	- 44	292
12. Farm inventories and grain in commercial channels	212	80	200	268	190	412	408	296
13. Exports of goods and services	7,536	7,776	7,724	7,880	7,729	7,888	8,380	8,280
14. Deduct: Imports of goods and services	- 8,248	- 8,332	- 8,288	- 8,008	- 8,219	- 8,112	- 8,308	- 8,528
15. Residual error of estimate	356	220	92	144	203	204	132	140
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	36,784	37,028	37,392	37,576	37,195	38,176	38,440	38,784

(1) See footnote 1, Table 9.

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NATIONAL ACCOUNTS
INCOME AND EXPENDITURE
FOURTH QUARTER
AND PRELIMINARY ANNUAL
1963

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The Minister of Trade and Commerce

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In order to obtain a complete historical record of the quarterly National Accounts, the following publication should be consulted:

"National Accounts, Income and Expenditure, by Quarters, 1947-61", for the years 1947-58.

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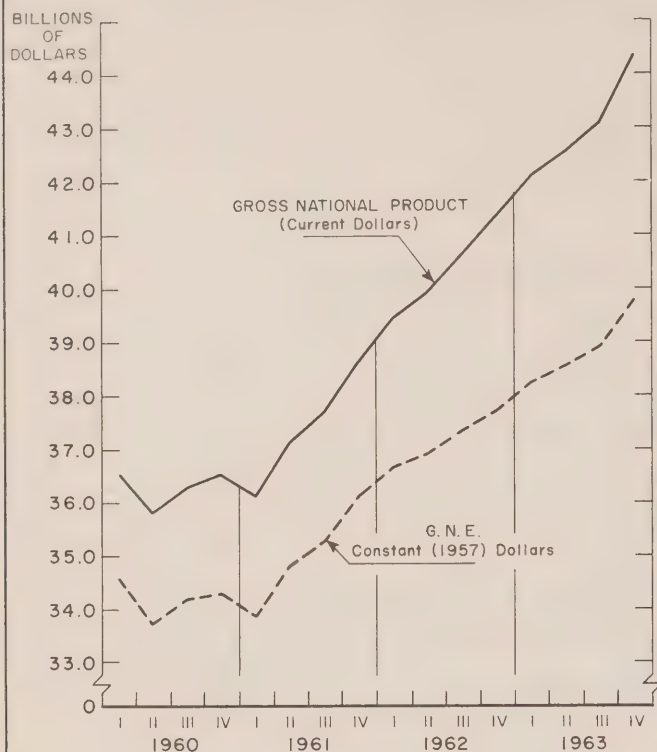
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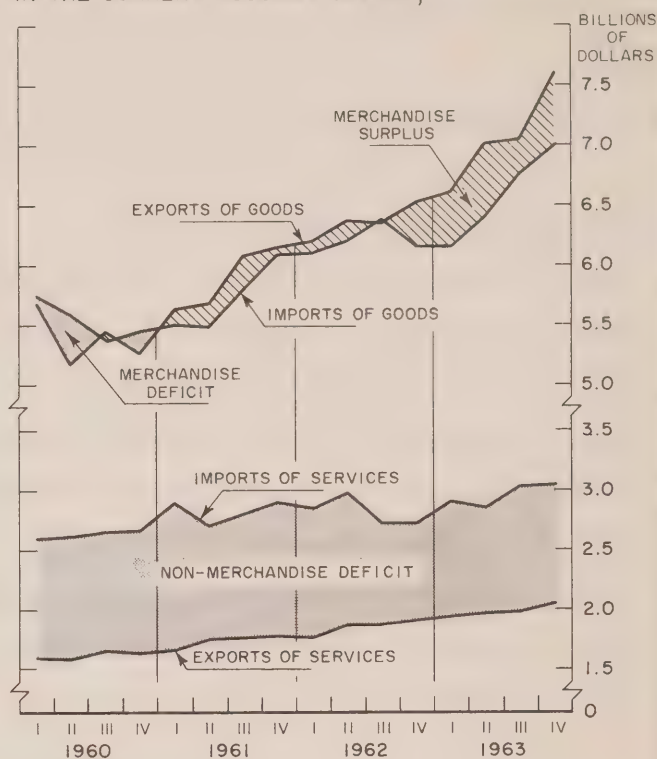
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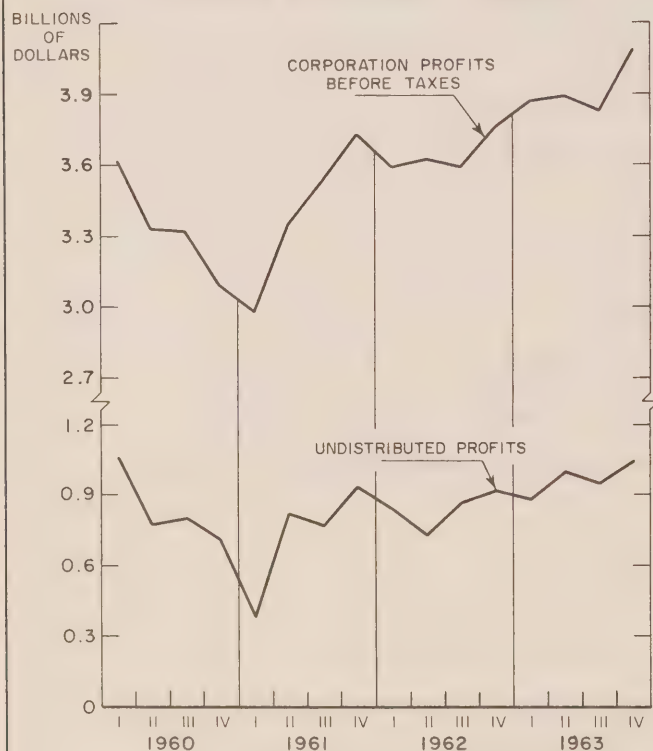
IN THE FOURTH QUARTER, G.N.P. ROSE
BY ALMOST 3 PER CENT-----



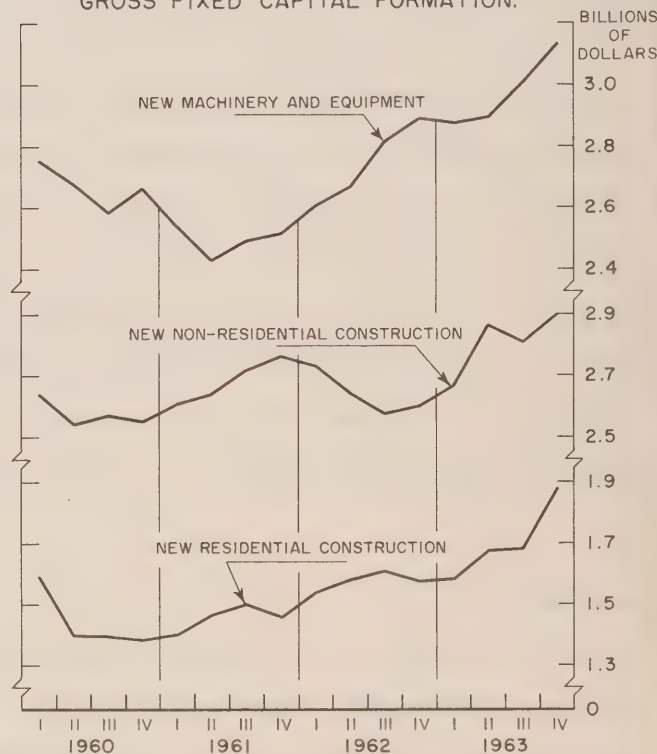
-----REFLECTING A SIGNIFICANT NARROWING
IN THE CURRENT ACCOUNT DEFICIT,-----



-----A RESUMPTION IN THE
CLIMB IN PROFITS-----



-----AND INCREASES
IN ALL COMPONENTS OF BUSINESS
GROSS FIXED CAPITAL FORMATION.



ALL DATA IN THE ABOVE CHARTS ARE SEASONALLY ADJUSTED AT ANNUAL RATES.

ANNUAL REVIEW 1963

(This report incorporates Revisions to Data for the years 1960, 61, 62, and the first 3 Quarters of 1963. In large part, the Revisions represent information which has become available during the past year from final tabulations of annual survey data. New information from "Taxation Statistics, 1963" has also been incorporated in the Estimates, as well as the results of the most recent survey, "Private and Public Investment in Canada - Outlook, 1964".)

Introduction

Gross National Product during 1963 experienced continuous growth, registering an increase of just over 6½ per cent in value from the previous year; at a level of \$43.0 billion the additional value of output over 1962 amounted to \$2.7 billion. With overall prices for the year increasing by less than 2 per cent, more than two-thirds of the value increase in 1963 represented a gain in real output. The year ended on a particularly strong note with a 3 per cent increase in the final quarter representing one of the sharpest gains since the beginning of the present expansion in early 1961. In line with the strength exhibited towards the close of the year the increase between the fourth quarter 1962 and 1963 was over 7 per cent, somewhat greater than that registered by the annual averages.

The keynote of the expansion during the year was its widespread nature, with all components of final demand sharing in the growth; there was little change in 1963 in the moderate rate at which inventories were being built-up.

Although the expansion in final demand was generally balanced, the notable 11 per cent rise in the level of merchandise exports and the contraction in Canada's deficit on current account transactions with other countries were the most prominent developments during the year. The rise in exports was dominated by exceptionally large shipments of wheat to Russia in the final quarter of the year, although increased foreign demand was widespread over many commodities. The growth in exports took place against a background of increasing world trade, expanding economic activity in the main industrial countries and one in which the competitive position of Canadian industry appeared to have improved. Overall imports rose more moderately, by just over 5½ per cent, but the annual average increase does not reveal the relatively greater importance of the supply of foreign goods and services in the latter half of the year. The performance of business fixed capital formation including residential construction was also noteworthy in 1963, with the sharpest relative year-to-year increase since 1956-57. The increase occurred irregularly through the year but was particularly pronounced at the end of the year, especially in housing, where special federal government legislation designed to stimulate winter building of houses came into effect. Consumer demand registered a higher than average year-to-year increase and was particularly strong in the final half of the year, accounting for more than half of the total increase in GNP. This pattern was partly the result of the notably buoyant demand for automobiles in the fourth quarter and of general increases in non-durable goods in the prior quarter.

Expenditure of government on goods and services which rose sharply at the beginning of the year, declined slightly in the final quarter due to lower federal defence and non-defence spending. The year-to-year increase of under 5 per cent was smaller than the general increase in GNP and was less than that experienced in both 1961 and 1962. The net of total revenue and expenditure of all levels of government, on a national accounts basis, resulted in a decline in the annual deficit from that experienced in 1962. During the year the deficit declined progressively from the second quarter, and in the final quarter of the year was the lowest since early 1960.

Quarter to Quarter Changes in Final Purchases
(Seasonally Adjusted at Annual Rates)
(millions of dollars)

	2Q'60	3Q'60	4Q'60	1Q'61	2Q'61	3Q'61	4Q'61	1Q'62	2Q'62	3Q'62	4Q'62	1Q'63	2Q'63	3Q'63
	3Q'60	4Q'60	1Q'61	2Q'61	3Q'61	4Q'61	1Q'62	2Q'62	3Q'62	4Q'62	1Q'63	2Q'63	3Q'63	4Q'63
1. Personal expenditure	124	412	-160	488	420	172	548	84	172	520	424	236	500	572
2. Government expenditure	448	-80	252	-108	280	192	4	404	-264	72	264	112	44	-104
3. Residential construction	-4	-12	20	64	32	-40	80	40	32	-36	8	92	4	200
4. Non-residential construction ..	28	-20	60	28	76	48	-32	-88	-68	24	68	196	-52	88
5. Machinery and equipment	-96	84	-128	-112	64	24	88	64	148	76	-16	20	112	128
6. Exports of goods and services	336	-196	396	144	412	84	40	272	-8	192	120	428	52	620
7. Total final purchases	836	188	440	504	1,284	480	728	776	12	848	868	1,084	660	1,504
8. (Final domestic demand)	500	384	44	360	872	396	688	504	20	656	748	656	608	884

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in non-farm business inventories	-420	376	-140	340	-556	820	-644	228	424	-552	-80	-136	324	120
10. Imports of goods and services	-168	92	276	-200	408	384	-24	224	-84	-212	176	192	548	240
11. G.N.P. (ex farm)	400	192	-148	1,020	444	1,068	240	588	616	576	632	484	568	1,008

Constant (1957) Dollars
Quarter to Quarter Percentage Changes in Selected Items

12. Final domestic demand	1.3	0.6	-	0.8	2.0	0.7	1.1	0.6	-0.5	1.2	1.2	1.2	0.6	1.5
13. Total final purchases	1.9	0.1	0.6	1.0	2.3	0.6	0.9	0.9	-0.5	1.3	1.1	2.0	0.5	2.4
14. Gross national expenditure	1.3	0.3	-1.2	2.8	1.3	2.4	1.6	0.7	1.2	1.0	1.4	0.8	0.9	2.3

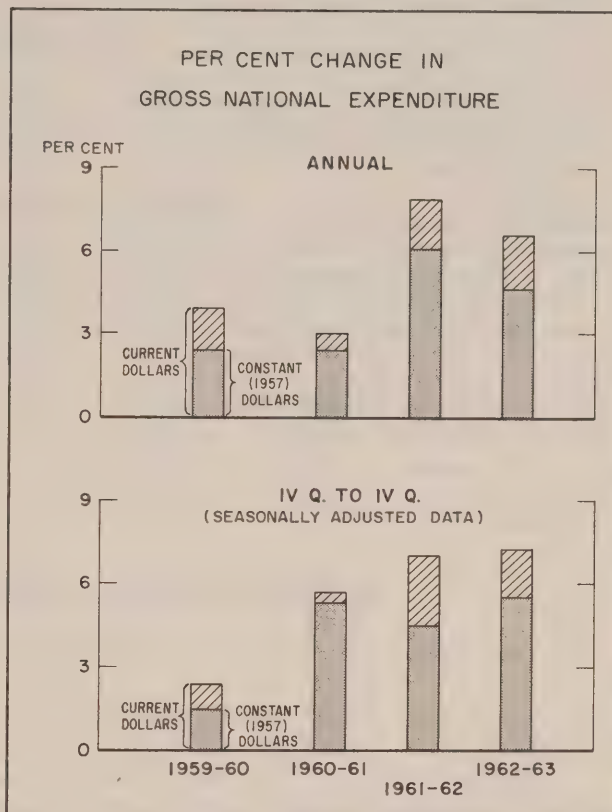
Increases in demand were paralleled by a 7 per cent rise, to \$32.6 billion, in national income, in which both profits and labour income registered similar relative gains. Accrued net farm income rose more sharply due to the record wheat crop which, in volume terms, was over one quarter greater than in the previous year and over one-and-a-half times the size of the 1961 crop. Because of the wide variations in the wheat crop, the year-to-year movement in GNP 1961 to 1962 appears significantly larger than the 1962 to 1963 increase, 7.9 and 6.6 per cent respectively, whereas GNP excluding accrued net income of farm operators reveals little difference in the strength of the expansion between 1961 to 1962 and 1962 to 1963, 6.6 per cent and 6.3 per cent respectively.

The current period of uninterrupted expansion commenced early in 1961, and the end of 1963 witnessed the eleventh quarter of growth. Judged against the three previous expansions the current period compares favourably, standing 17½ per cent above the trough in real terms, as against 7 per cent in the short-lived seven quarter 1958-60 upswing, 21 per cent in the capital spending boom of 1954-57 and 19 per cent in the 1949-52 expansion, both measured after eleven quarters of expansion. As was true for the year, the current expansion also presents a more balanced growth than previous upswings, with no one component of demand predominating.

Despite the performance of the economy in 1963 and almost three years of continuous expansion, evidence of unutilised labour resources still persists. The unemployment rate seasonally adjusted in the fourth quarter of 1963 stood at just over 5 per cent of the labour force, a decline however from almost 6 per cent at the end of 1962. This decline was less than would be suggested by the increase in employment of more than 4 per cent over the same period because of the 3 per cent growth in the total labour force, about 200,000 persons, between the fourth quarters of 1962 and 1963.

Price movements

As noted earlier with overall prices increasing by nearly 2 per cent, more than two thirds of the approximately 6½ per cent increase in value represented a gain in real terms. The following table, which compares value, volume, and price changes over the past two years, indicates that prices rose by about the same amount in 1963 as in 1962, both being moderate compared with price increases experienced in the 1954-57 and 1949-52 business expansions. Within the components of GNE price changes of certain foodstuffs affected the price indexes of both personal expenditure and imports. (Because imports are excluded by definition from GNE, changes in the prices of imported goods may affect the components of GNE, but are not reflected in the over-all measure of price change.) Besides the spectacular increase of about 90 per cent in the price of sugar, prices of citrus fruits also increased significantly as a result of short supplies. Other price changes occurred; in business gross fixed capital formation they were partly as a result of the wider application of the federal sales tax and in government expenditure they reflected increases in wage rates and in highway construction costs.



Per cent Changes - Value, Volume, and Price

	<u>1962</u> <u>1961</u>			<u>1963</u> <u>1962</u>		
	<u>Value</u>	<u>Volume</u>	<u>Price</u> ^{1/}	<u>Value</u>	<u>Volume</u>	<u>Price</u> ^{1/}
Personal Expenditure	5.3	3.9	1.3	5.8	4.3	1.5
Non-Durable Goods, ex. food	7.3	6.6	0.6	4.2	3.1	1.0
Non-Durable Goods - Total	5.5	4.2	1.3	4.2	2.4	1.7
Durable Goods	7.9	8.1	-0.2	9.5	9.1	0.4
Services	4.2	2.2	2.1	6.8	5.3	1.3
Government Expenditure	6.2	2.0	4.1	4.8	-0.2	5.0
Business Gross Fixed Capital Formation	4.9	2.3	2.6	7.7	4.9	2.7
New Residential Construction	8.2	5.1	2.9	8.1	4.5	3.5
New Non-Residential Construction ...	-1.7	-3.7	2.1	6.6	3.5	2.9
New Machinery and Equipment	10.1	7.2	2.7	8.5	6.4	2.0
Exports of Goods and Services	7.8	4.5	3.1	10.1	8.8	1.2
Total Final Demand	5.8	3.5	2.3	6.6	4.5	2.0
Imports of Goods and Services	5.7	1.4	4.3	5.6	2.7	2.8
Gross National Expenditure	7.9	6.1	1.7	6.6	4.6	1.8

^{1/} Implicit Price Indexes

Changes in Components of Gross National Expenditure and Other Data

	Per Cent Changes in Year-to-Year		Per Cent Changes over the year (Seasonally Adjusted)	
	1961 to 1962	1962 to 1963	IVQ. '61 to IVQ. '62	IVQ. '62 to IVQ. '63
Gross National Expenditure	7.9	6.6	7.0	7.2
Personal Expenditure	5.3	5.8	5.3	6.6
Government Expenditure	6.2	4.8	2.9	4.1
Business Gross Fixed Capital	4.9	7.7	4.9	12.0
Business Inventories	(\$ 23m)	(\$-135m)	(\$-544m)	(\$ 228m)
Farm Inventories	(\$631m)	(\$ 72m)	(\$ 848m)	(\$-316m)
Exports of Goods and Services	7.8	10.1	6.3	14.5
Imports of Goods and Services	5.7	5.6	-1.1	13.0
Net National Income	7.9	7.0	7.1	7.4
Wages and Salaries	6.3	6.8	5.8	7.9
Corporation Profits before Taxes(1) ..	7.1	7.7	0.8	8.8
Rent, Interest, etc.	6.0	7.7	6.7	4.8
Accrued Farm Income	53.2	15.5	73.2	15.9
Other Unincorporated Business Income	3.5	4.1	-2.0	6.1
Personal Disposable Income	8.1	6.3	6.8	6.9
Net Personal Saving	(\$829m)	(\$ 273m)	(\$ 488m)	(\$ 244m)

(1) Before deducting dividends paid to non-residents.

Consumer Expenditure

Above average increases in the third and fourth quarters of the year raised the level of personal expenditure by almost \$1.5 billion to \$27.2 billion for the year 1963, almost 6 per cent above the previous year. This was the largest increase registered since 1959, and was slightly higher than the rise noted last year. Prices which were higher by $1\frac{1}{2}$ per cent in 1963, in part due to the rise in certain foodstuffs, reduced the increase in real terms to about $4\frac{1}{2}$ per cent, slightly larger than in 1962.

Durable goods, stimulated by high car sales in the fourth quarter, made a notable contribution to the overall increase in personal expenditure. The $9\frac{1}{2}$ per cent increase in durables, up again from an 8 per cent rise in 1962, was the largest since 1955 and contrasted particularly with 1960 and 1961 when purchases of durable goods showed little change. As noted above car sales to persons were an extremely important expansionary element and net purchases of new and used cars, which rose more than 14 per cent from the previous year, accounted for three-quarters of the increase in durables. Among the other durables, home furnishings increased by less than 8 per cent while the remaining items showed increases of around 3 per cent.

Personal Expenditure - Per cent Change

	Year 1961 to Year 1962	Year 1962 to Year 1963
Total Non-Durables	5.5	4.2
Food	3.5	4.3
Clothing	3.7	4.1
Total Durables	7.9	9.5
New and Used Automobiles	13.6	14.5
Total Goods	5.9	5.2
Total Services	4.3	6.8
Total Personal Expenditure	5.3	5.8

Expenditures on services which rose by more than $6\frac{1}{2}$ per cent made the largest contribution to the increase in personal spending. This increase was somewhat higher than that for the three preceding years and reflected mainly an increase in shelter expenses. Again this year the movement in services was dampened by the movements in net expenditure abroad⁽¹⁾ as the balance on tourist and travel account with the external sector moved to a surplus for the first time in more than a decade.

The increase in non-durables of 4 per cent was more moderate, reflecting in part lower than usual growth in alcoholic beverages and tobacco products, both increasing by about 3 per cent. Expenditures on food and clothing increased by 4 per cent while expenditures on fuel (including gas) increased only 2 per cent, probably reflecting the mild weather during the fall of 1963.

Business Gross Fixed Capital Formation

Spending on fixed capital in 1963 totalled \$7.5 billion, nearly 8 per cent higher than in 1962, with outlays on residential construction and machinery and equipment both higher by over 8 per cent and non-residential building and engineering construction by just over $6\frac{1}{2}$ per cent. The pattern of total spending through the year was one of continuous growth with particularly sharp increases in the spring and final quarters of the year; some hesitancy was evident between the second and third quarters, possibly reflecting uncertainty regarding changes in the building materials sales tax. The surge in spending at the year-end, which was centred in housing, carried the fourth quarter level

(1) Includes the expenditures abroad of Canadian tourists and excludes foreign tourists expenditure in Canada.

to an annual rate $5\frac{1}{2}$ per cent above the annual average. The overall advance in business spending on fixed capital matched the increase in GNP, and the ratio of capital spending to GNP remained over 17 per cent.

Investment in new housing has fluctuated more widely than other components of fixed capital formation in the past three years, and in 1963 the 8 per cent increase, to an average annual level of \$1.7 billion, conceals some sharp movements within the year. Dwelling unit starts rose throughout the four quarters, moderately in the first three quarters as multiple dwelling unit starts offset some decline in single units, but very sharply in the final quarter as the federal government's winter house building incentive programme and direct lending by CMHC under the National Housing Act stimulated house building activity. At the year-end the number of units under construction stood at a record high of 96.6 thousand, twenty thousand above the previous year-end, and starts during the year totalled 148.6 thousand, 14 per cent higher than 1962.

The value of non-residential construction rose by just over $6\frac{1}{2}$ per cent to \$2.8 billion for the year, the sharpest year-to-year gain to emerge so far in the current three year expansion in business activity. During the year the gains were even more notable as the value of work put in place rose by over $11\frac{1}{2}$ per cent between the fourth quarters of 1962 and 1963. The strength was centred mainly in the development of such utilities as electric power undertakings, railway and urban transit systems expansion and renewals, extension of oil and gas pipeline facilities and communications systems. Within manufacturing, which in total had a slightly smaller construction programme than in 1962, the machinery and transportation equipment industries stand out as the two industry groups with much heavier spending programmes than in the previous year.

Investment in machinery and equipment which has registered increases in nine of the past ten quarters rose by $8\frac{1}{2}$ per cent in 1963 to almost \$3.0 billion. Most of the strength occurred in the second half of the year when the seasonally adjusted annual rate was running 12 per cent above the 1962 annual average. The increases stemmed mainly from the sharply higher level of investment in farm implements, machinery and equipment; the larger investment programme in the manufacturing sector of the economy particularly in the paper, chemical and transportation equipment industries; and higher outlays by the telephone utilities. Two of these areas of greatest expansion reflect to some extent the buoyancy of farm incomes following two good crop years and the high level of overseas demand for Canadian wheat over the past three years and the sustained strength in the demand for new autos over the past two years.

During 1963 there were a number of special factors operating on employment and investment. Measures were introduced by the federal government designed to stimulate employment and investment in slow growth areas and in certain industries. New manufacturing or processing enterprises located in designated areas of slower growth were offered exemption from income tax for three years and the concession of writing off new machinery and equipment in two years and new buildings in five. Accelerated depreciation was extended on certain new facilities for manufacturing and processing enterprises owned by Canadian residents and to companies having a specified minimum degree of Canadian ownership and control. Oil and gas transmission companies were also allowed to deduct from income for tax purposes, expenditures on drilling for oil, gas or minerals. Another factor was the introduction in June of a 4 per cent sales tax on certain previously exempt building materials and production machinery and equipment; this will be increased in successive stages to 8 per cent in April 1964 and 11 per cent in January 1965.

It is not possible to establish the net effect of these measures in isolation, but some of these effects are probably in the overall figure of anticipated business fixed capital spending for the year 1964, as published in "Private and Public Investment in Canada - Outlook 1964". These anticipations, if realized, would result in outlays of \$1.9 billion on housing, \$6.3 billion on private non-residential construction plus machinery and equipment, adding to a total spending programme of \$8.2 billion, about 9 per cent above the annual average for 1963 and 3 per cent higher than the \$7.9 billion annual rate achieved in the fourth quarter 1963.

Non-farm Business Inventories

Business inventories showed an accumulation of \$166 million in 1963, a moderately lower rate than in the previous year, with the result that they did not contribute to the 1962-63 expansion in activity. In total the quarterly pattern revealed virtually no net change in inventories in the first half of the year and a growing rate of accumulation in the latter half. The figures at the total level suggest a continuation of the downward drift in the ratio of stocks to output which has been apparent for a number of years. The main build-up in stocks appears to have taken place

in the hands of retail dealers, partly representing increased holdings of new cars in the closing months of the year as producers' shipments have run slightly ahead of sales. Manufacturers' stocks showed little change over the year.

Imports and Exports

Against a background of general expansion in world trade and economic activity, Canada's transactions with non-residents in both merchandise and non-merchandise trade rose between 1962 and 1963. With exports rising by 10 per cent to a level in excess of \$9 billion and imports 5½ per cent higher at \$9½ billion, the deficit on current account transactions with non-residents (on a national accounts basis) fell to just under \$500 million from a little over \$800 million in 1962. The entire improvement was due to transactions on merchandise, the surplus rising from \$155 million to \$484 million; little change occurred in the balance on service and non-merchandise transactions account which stood at \$972 million in 1963.

Exports and Imports of Merchandise and Services (Quarters Seasonally Adjusted at Annual Rates)

	1962					1963					Per cent Change	Per cent Change
	Annual	1Q	2Q	3Q	4Q	Annual	3Q to 4Q	Year '63 Year '62				
<u>Exports:</u>												
Merchandise	6,364	6,604	7,008	7,048	7,596	7,064	7.8	11.0				
Services (including interest & dividend receipts)	1,860	1,948	1,972	1,984	2,056	1,990	3.6	7.0				
Interest and dividend receipts	(211)	(240)	(228)	(216)	(228)	(228)	5.6	8.1				
Total	8,224	8,552	8,980	9,032	9,652	9,054	6.9	10.1				
<u>Imports:</u>												
Merchandise	6,209	6,152	6,400	6,768	7,000	6,580	3.4	6.0				
Services (including interest & dividend payments)	2,824	2,912	2,856	3,036	3,044	2,962	0.3	4.9				
Interest and dividend payments	(781)	(840)	(788)	(852)	(888)	(842)	4.2	7.8				
Total	9,033	9,064	9,256	9,804	10,044	9,542	2.4	5.6				

The gains in exports, after allowance for seasonal influences, did not occur evenly during the year, but were concentrated in the second and final quarters. Certain already well known factors contributed to this pattern. In the second quarter, exports of nickel were particularly strong and higher newsprint exports reflected the settlement of a labour dispute in the United States, whereas in the fourth quarter heavy shipments of wheat and wheatflour began to flow to Russia as a result of the agreement signed with that country in September. The increase of 11 per cent in merchandise exports for the year, which carried the total value to \$7,064 million, was achieved in addition to the sharply higher wheat sales, by sizeable increases in iron ore, softwood lumber, wood pulp, railway rolling stock, navigational systems and electronic control equipment. Gains were widespread over many other commodities and the relative rise in the general grouping of manufactured products was notable. Despite the widespread nature of the gains however, close to half the total increase was accounted for by four of the main commodities noted above (wheat, iron ore, softwood lumber and wood pulp). The rise in prices of exports was around 1 per cent in 1963 indicating that most of the increase was in real terms.

The 6 per cent rise in imports of goods occurred more evenly through the year than export sales, although some irregularity appeared in the third quarter due to unusually large imports of raw sugar. The increase of \$371 million which carried imports to a total of \$6,580 million, was largely due to heavier inflows of raw sugar, farm equipment and tractors, crude petroleum and automobile parts; although the increase in automobile parts was largely offset by the decline in finished automobile imports. Measures were announced by the Government in October which are likely to affect future imports and exports of automobiles and parts; one of the objectives is to reduce the adverse

balance in these items with other countries by reductions in duties on vehicles and parts conditional on increases of exports of similar types of goods. Some of the increase in imports may have been attributable to the elimination at the end of March of the remaining temporary surcharges imposed at the time of the exchange crisis in mid-1962. Prices of imports rose more significantly than exports; sugar prices were notably higher among the commodities, in addition to which the impact of the devaluation of the Canadian dollar influenced comparisons in the early months of 1962 and 1963.

Receipts from non-merchandise transactions increased by 7 per cent to reach \$1,990 million in 1963 as travel expenditures and freight and shipping receipts rose sharply accounting for close to three-quarters of the change. The rise of 5 per cent, to \$2,962 million in payments for non-merchandise services was accounted for by between 6 and 8 per cent increases in freight and shipping, interest and dividends and miscellaneous services. The latter includes official contributions which nearly doubled mainly as a result of aid financed under the Colombo Plan, which was at an unusually low level in 1962.

As noted earlier the balance on these transactions showed little year-to-year change. However, among the individual items the most noteworthy was the turnaround in the balance on travel account from a deficit of \$50 million in 1962 to a surplus of \$13 million, the continuation of an improving trend which has been apparent since 1960. But this improvement was offset mainly by a widened deficit on account of interest and dividends and increased official contributions noted above.

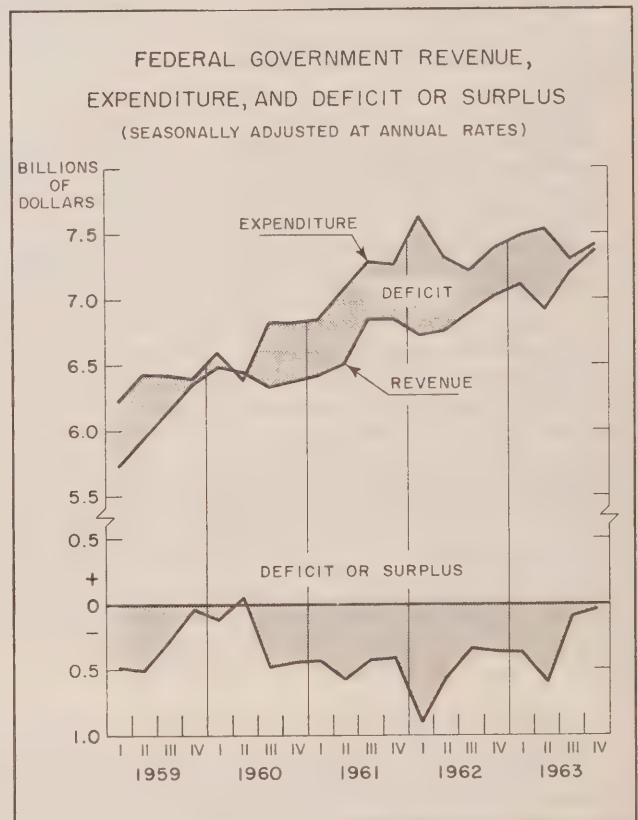
Government Sector

Total expenditure of all governments advanced by almost 5 per cent or \$683 million from 1962 to 1963. All components showed increases with the exception of federal expenditure on goods and services which registered a decline. The latter was caused by a 6 per cent reduction in defence outlays. Non-defence expenditures rose slightly as a result of offsetting changes; increases included a 7 per cent rise in wages and salaries and a doubling of payments from the Colombo Plan Fund while decreases were registered in non-defence investment and in the changes in inventories of the Agricultural Stabilization Board.

Transfer payments to persons increased between the two years by 4 per cent to a total of \$3,829 million. The larger part of the increase occurred at the provincial-municipal level reflecting higher payments under the hospital insurance programmes, larger grants to universities and increased social assistance payments.

The increased buoyancy and expansion of activity in the economy was reflected in advances from 1962 to 1963 in all major components of government revenue.

Indirect taxes in total rose by over 5½ per cent with the largest contribution to the increase occurring at the provincial-municipal level. Provincial revenues from retail and gasoline sales taxes rose by over 10 per cent; the increase was associated with higher volume of sales and upward revisions of tax rates during the year. Rates of tax on gasoline and fuel oil were increased in Quebec, Newfoundland and Prince Edward Island; in Manitoba a sales tax on tobacco was introduced and in Prince Edward Island the general sales tax was increased from 4 per cent to 5 per cent. The gain in property taxes accounts for most of the rise at the municipal level, the year to year change being about the same size as has occurred in previous years.



Per cent Change in Government Expenditure and Revenue

	1961 to 1962	1962 to 1963
Government Expenditure:		
Goods and services	6.2	4.8
Transfer payments to persons	7.3	4.2
Interest on public debt	11.5	8.0
Subsidies	12.6	9.4
Totals <u>1/</u>	7.2	5.0
Government Revenue:		
Direct taxes - persons	8.2	7.0
Direct taxes - corporations	6.3	6.5
Withholding taxes	7.8	2.4
Indirect taxes	12.0	5.7
Investment income	9.3	7.5
Employer-Employee contributions	3.0	3.3
Totals <u>1/</u>	9.4	6.1
Deficit	-17.7	-10.5

1/ Excludes inter-governmental transfers.

Federal indirect taxes rose by 2 per cent from 1962 to 1963 but the total masks offsetting changes in the components. Federal excise taxes for example rose sharply, partly associated with the imposition of the 4 per cent sales tax on building materials and production machinery and equipment effective in June, 1963, while revenues from customs imports duties declined as a result of the elimination in the first quarter of 1963 of the last of the temporary emergency surcharges imposed in mid-1962.

Personal and corporate direct tax revenues contributed almost as much as indirect taxes to the rise in total revenue. Both the federal and provincial governments shared in the rise in direct taxes although unevenly; the federal share of personal direct taxes rose by 5 per cent and of the corporate income taxes by 6½ per cent compared to 14 per cent and 6 per cent respectively for the provinces. The sharper increase in the provincial income tax collections is partly attributable to the fact that under the terms of the Federal-Provincial fiscal arrangement which became effective in 1962, the federal share of the taxes on personal incomes dropped slightly with the difference going to the participating provinces. In addition, British Columbia has levied its own succession duties since April, 1963, which contributed to a sharp increase in this component at the provincial level.

Investment income accruing to government rose by 7½ per cent, with the largest increase occurring in trading profits of government enterprises and in interest on government-held public funds. At the federal level, investment income increased by 10 per cent reflecting mainly a higher level of profits of the Bank of Canada and the earnings of the Exchange Fund Account and higher interest on government-held public funds. Increased trading profits of liquor commissions and higher interest income were responsible for most of the increases at the provincial-municipal level.

Because of the greater increase in revenue than in expenditure, the total deficit for 1963 amounted to \$735 million, a decline of \$86 million from 1962. The 1962 federal deficit of \$543 million was almost halved to \$278 million in 1963, while the provincial-municipal deficit increased from \$278 million to \$457 million between these years. It should be noted that in 1962 the federal deficit was irregularly high by about \$75 million, and the provincial-municipal deficit correspondingly lower, as a consequence of the introduction in the first quarter 1962 of the new tax collection arrangements and the continuation of transfer payments under the former tax rental agreements.

National Income

All major shares of national income were up in 1963 as the level reached \$32.6 billion, 7 per cent higher than the previous year. This rise was paralleled by an almost 7 per cent gain in labour income which totalled \$21.6 billion for the year. Reflecting gains in both wage rates and labour inputs, the increase was broadly based, occurring in all industrial groups. The quarterly pattern through the year showed continuous increases, the largest of which occurred in the final quarter. Wages and salaries originating in the goods-producing industries accounted for 41½ per cent of the total, which represents a slight decline in their relative importance between 1962 and 1963 and a continuation of the characteristic post-war trend towards the growing relative importance of the service industries.

Profits increased by a little less than 8 per cent to reach \$3.9 billion, a reflection of a gain in the first quarter of the year, little net change in the second and third and a particularly sharp pick-up in the final quarter. The lack of industrial detail for the fourth quarter prevents discussion of the annual profit position of separate industries. On the basis of nine months data the main increases over the similar period in 1962 have been recorded in the food and metal industries of manufacturing, wholesale and retail trades and the transportation, storage and communication groups. After allowance for corporate taxes and distribution of dividends, undistributed profits rose by 15½ per cent to \$964 million and in the fourth quarter are estimated to have exceeded an annual rate of \$1 billion.

Accrued net income of farm operators from farm production was at a level of \$1.8 billion in 1963, almost 16 per cent higher than in 1962. The figure was the third highest on record, lower only than that attained in 1951 and 1952. Contributing most to the increase was an accumulation of farm-held stocks of grain and livestock and the increased profits of the Canadian Wheat Board. The 1963 estimate of the value of crop production is \$1.4 billion, 17 per cent higher than in 1962 and fractionally higher than in the previous all-time record year, 1952.

Farm cash receipts increased over 2 per cent in 1963 to reach an all-time high level. The most important gains were made in returns from the sales of wheat, oats, barley, tobacco, dairy and poultry products.

Farm operating expenses advanced to a level about 5 per cent higher than in 1962. Higher outlays for fertilizers, feed and seed, and the operation of farm machinery including repairs were factors contributing most to the increase.

Farm Income

	1962	1963	Change 1963 1962	Per Cent Change 1963 1962
	(\$ millions)			
Farm Cash Income	3,154	3,222	68	2.2
Income-In-Kind	346	353	7	2.0
Farm Inventory Change	177	313	136	-
Gross Income	3,677	3,888	211	5.7
Deduct:				
Farm Operating Expenses	1,765	1,855	90	5.1
Depreciation	314	325	11	3.5
Add:				
Adjustment on Grain Transactions 1/	5	136	131	-
Other Adjustments	-57	-58	-1	-
Accrued Net Income of Farm Operators	1,546	1,786	240	15.5

1/ This adjustment takes account of the undistributed profits of the Canadian Wheat Board.

Personal Income

Personal income rose by over 6 per cent to \$32.8 billion in 1963 with the main increases occurring in the second and fourth quarters as a result of unusually large payments to farmers by the Canadian Wheat Board in the second quarter and the combined effects of higher labour income, farm income and increased old age security transfer payments from the government in the final quarter. Disposable personal income rose faster than personal spending with a resultant increase in saving. Personal net saving increased to \$2,631 million in 1963 and as a proportion of disposable income, rose from 8.4 per cent in 1962 to 8.8 per cent. It should be noted that personal net saving includes unincorporated business saving.

Production by Industry

Real gross domestic product at factor cost in 1963 increased by more than 5 per cent over its 1962 level with goods and service-producing industries rising by about $5\frac{1}{2}$ per cent and 5 per cent respectively. Real domestic product less agriculture increased slightly less than 5 per cent.

Manufacturing has increased faster during the current expansion than total production, accounting for almost one-third of the aggregate increase during the 1961-63 period. The industry group consisting of agriculture, forestry, fishing and trapping and mining accounted for over 20 per cent of the growth, as did the cyclically sensitive trade and transportation group.

In 1963, the index of industrial production reached a level of 196.2 for the year, up by $5\frac{1}{2}$ per cent from the preceding year. The gain in manufacturing was also $5\frac{1}{2}$ per cent, while mining advanced by just over 3 per cent and electric power and gas utilities by almost 9 per cent. With the exception of utilities, these gains were less than those recorded in 1962. The annual averages, however, do not reveal the increasing strength during the latter half of 1963; the index of industrial production from the fourth quarter 1962 to the corresponding quarter 1963 recorded a gain of 8 per cent as against 6 per cent in the comparable 1961-62 period.

Non-durable manufacturing showed a gain of $4\frac{1}{2}$ per cent over 1962, with all major groups contributing. Leather products gained only marginally, tobacco and printing and publishing by about 2 per cent, while elsewhere increases ranged from 3 per cent in paper products and foods and beverages, to 13 per cent in rubber products. Solid gains of 7 to 9 per cent were recorded in chemicals, textiles, and petroleum products, while clothing gained about 5 per cent.

Durables also continued to expand in 1963, again led by transportation equipment, where output of motor vehicles and parts was up by almost 25 per cent. Iron and steel products contributed heavily, with both iron castings and primary steel higher by about 12 per cent, partly reflecting the strength in the transportation equipment industry. Wood products, with greater strength appearing towards the end of the year, advanced by 5 per cent, as did electrical apparatus and supplies. The latter group was particularly influenced by higher refrigerator and appliance output. Non-metallic mineral products moved up slightly while non-ferrous metal products showed little change.

Mining showed a smaller gain in 1963 than in 1962 due to weaknesses in metals, where, with the exception of iron ore, all other major metals showed declines, up to about 5 per cent in nickel, gold and lead. However, the fuels component of mining continued to expand with good gains in all three industries, coal, crude petroleum and natural gas. The other contributor to the strength in total mining was non-metals, with asbestos production up by more than 2 per cent.

Among the service producing industries the transportation, storage and communication group advanced by 7 per cent. Storage and transportation, which were influenced by record wheat movements, showed the largest increases, 18 and 8 per cent respectively. Shipping and pipelines increased by more than 10 per cent. Railways, with a 7 per cent advance accounted for about two-fifths of the gain in transportation.

Wholesale and retail trade each showed a 4 per cent gain over 1962. Expansion was widespread at the retail level, with a particularly strong gain in farm implement dealer sales. Motor vehicle dealers and garages and filling stations were also among the more rapidly expanding components.

Public administration and defence showed little change in 1963, as a result of expansion in the provincial component being offset by declines in the other two components. The remaining service-producing industry groups increased at rates slightly above their long-term trends.

FOURTH QUARTER 1963 REVIEW

Major Developments

The Gross National Product in the fourth quarter rose sharply to a record seasonally adjusted annual rate of \$44.3 billion, 3 per cent above the previous quarter. This advance was one of the sharpest in the past three years of expansion and resulted in an increase in output of \$1.3 billion. With prices rising by about one half of one per cent the major part of the gain was in real terms. The surge of economic activity recorded by the GNP was supported by an increase of $4\frac{1}{2}$ per cent in the index of industrial production.

The expansionary force experienced in the quarter was particularly notable in the seasonally adjusted value of exports of goods, business fixed capital formation, and consumer spending. Total exports at an annual rate of \$9.7 billion after seasonal adjustment, were unusually high, due primarily to heavy wheat shipments in the wake of the contract signed with the Soviet Union in September; this fact coupled with some slowing down in the rate at which imports were expanding caused the deficit on current account with non-residents to contract to one of the lowest seasonally adjusted annual rates since second quarter 1955. Investment in new housing which was stimulated by new federal government legislation and renewed direct lending by CMHC, increased by 12 per cent; smaller gains also occurred in capital spending on non-residential construction and machinery and equipment. An above average increase was recorded in consumer spending for the second successive quarter, mainly due, in the final quarter, to the heavy purchasing of new cars.

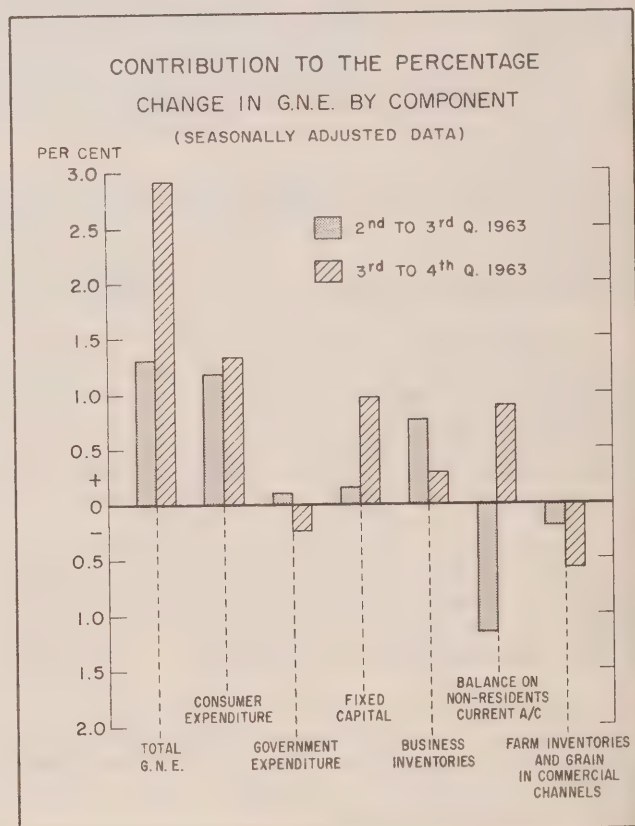
The build-up of inventories provided some stimulus to the expansion as the rate of accumulation increased. The only component offsetting the general pattern was government demand for goods and services, where a drop of 1 per cent occurred, mainly attributable to reductions in federal outlays.

National Income reflected the strength in demand with an increase of just over 3 per cent to an annual rate of \$33.6 billion, seasonally adjusted. This was achieved with increases in all income components; of particular importance was a $2\frac{1}{2}$ per cent rise in labour income and a 7 per cent rise in corporation profits. Personal income equalled the rise in national income with an expansion diffused over all components.

The total of employed workers between the quarters rose by about 1 per cent after allowance for seasonal factors, a rate faster than the growth in the labour force, with a resultant drop in the unemployment rate from 5.3 per cent of the labour force at the end of the third quarter to 4.9 at the year-end.

Consumer Expenditure

The increase of 2 per cent to an annual rate of \$28.0 billion, in seasonally adjusted personal expenditure in the fourth quarter, was the second successive increase of this magnitude and accounted for close to half the rise in GNP. In contrast to the third quarter however, when non-durables goods provided the main impetus, durable goods and services exhibited larger relative growth in the fourth quarter. Much of the expansion came from a 12 per cent rise in purchases of automobiles, which accounted for one third of the increase in total personal expenditure; other durable goods purchased by persons showed moderate increases or were unchanged. Strength in services which rose by 2 per cent, centred on shelter, while the 1 per cent rise in non-durable goods purchased was due to increased expenditures of $1\frac{1}{2}$ per cent on food and alcoholic beverages; clothing expenditures remained at the same level as in the previous quarter.



Business Gross Fixed Capital Formation

As noted in the annual review capital spending ended the year on a strong note, reaching a seasonally adjusted annual level of \$7.9 billion, 5½ per cent above the previous quarter. This gain, which was the sharpest quarterly increase in the current business expansion, was led by a very marked increase in housing construction although both non-residential building and engineering construction and producers' durable equipment outlays were higher. Construction activity was probably assisted by the generally optimistic business outlook, fewer labour stoppages in the industry than in the previous quarter, the favourable weather conditions in certain parts of the country and special legislation affecting the housing market in particular.

<u>New residential construction</u>	<u>Non-residential construction</u>	<u>Machinery and equipment</u>	<u>Total</u>
-----------------------------------------	-----------------------------------------	------------------------------------	--------------

(Seasonally Adjusted)

1Q 1961 = 100 = trough in general business activity

1963	1	112.8	102.1	113.2	108.7
	2	119.4	109.6	114.0	113.4
	3	119.7	107.7	118.4	114.4
	4	133.9	111.0	123.5	120.7

Investment in housing reached a seasonally adjusted annual rate of \$1.9 billion in the fourth quarter. Special factors noted earlier raised the level of starts toward the year-end by 22 per cent to an annual rate of 176 thousand. The number of units under construction at the year-end suggests a high level of activity in the first quarter of 1964.

Non-residential construction was valued at an annual rate of \$2.9 billion in the final quarter, 3 per cent above the third quarter, while investment in machinery rose to over \$3.1 billion seasonally adjusted at annual rates, an increase of more than 4 per cent.

Non-farm Business Inventories

The stock accumulation which was resumed in the third quarter after little net change in inventories in the first half of the year continued at an accelerated pace. Investment in inventories at an annual rate of \$384 million took place mainly at the retail level, although some build-up occurred in both the manufacturing and wholesale industries.

In manufacturing, durable goods-producing industries, with the exception of the transportation equipment industry, depleted stocks, while some build-up took place in the non-durable producing industries especially in the food, clothing, tobacco and paper industries. By stage of manufacture, the accumulation occurred at the goods in process and finished goods level; raw material stocks were unchanged. The stock to shipments ratio continued the downward trend evident since the first quarter 1961.

At the retail trade level, the accumulation was due to the substantial build-up of stocks of motor vehicle dealers and food stores. There appears to have been little change in the stock-to-sales ratio at the total level.

Imports and Exports

The final quarter of the year saw the deficit in current account transactions fall to an annual rate of just below \$400 million, after allowance for seasonal influences, as the 7 per cent increase in export sales, attributable in large part to the previously noted exceptional wheat shipments, outpaced purchases from abroad, which rose by 2½ per cent. At annual rates the level of exports and imports in the fourth quarter reached \$9,652 million and \$10,044 million respectively.

The fourth quarter surplus on trade reached an annual rate of almost \$600 million after allowance for seasonal factors, with exports valued at \$7,596 million, 8 per cent higher than the previous quarter, and imports 3½ per cent higher at \$7,000 million. Of the increase in exports approximately three-quarters was due to wheat and wheat flour shipments, with increases also recorded in iron ore and copper. Exports to the United States rose by 4 per cent, while there was a slight decline in exports to the United Kingdom; the greatest increase emerged in trading with the U.S.S.R.

The deficit on services and non-merchandise transactions narrowed to \$988 million from \$1,052 million, mainly as a result of increased earnings on freight and shipping. Higher payments abroad of interest and dividends were largely offset by a reduction in payments on foreign travel account and miscellaneous payments. The level of both payments and receipts reached their high point for the year in the fourth quarter.

Government Sector

Seasonally adjusted, total expenditures of all governments rose by 1 per cent to a level of \$14,896 million in the fourth quarter, but the combined revenue rose by 3 per cent with the result that the total deficit dropped sharply from an annual rate of \$708 million in the third quarter to \$476 million in the fourth. Most of the drop was accounted for at the provincial-municipal level.

Expenditure on goods and services of all governments declined by 1 per cent with the largest decrease occurring at the federal level, reflecting declines in both non-defence and defence outlays. Provincial and municipal expenditure on highways and hospitals increased slightly but this was offset by the easing of construction of vocational schools, leaving the total virtually unchanged.

Reflecting primarily the increase from \$65 to \$75 per month in the Old Age Security pensions at the federal level, total transfer payments to persons rose by 4 per cent to an annual rate of \$3,908 millions.

On the revenue side, there was a substantial increase from taxes in the fourth quarter. Personal direct taxes for all levels of government increased by over 5 per cent in this period, mainly due to the 4.6 per cent rise in revenue from personal income taxes reflecting higher employment and incomes. At annual rates the federal government experienced a gain of \$92 million in personal income tax and the provincial governments a rise of \$24 million.

The combined total for indirect taxes rose by $2\frac{1}{2}$ per cent in the fourth quarter, amounting to an annual rate of \$6,056 million after allowing for seasonal factors. The federal advance resulted principally from larger revenues from customs import duties and excise taxes, both affected by the continuing high level of imports. The increase at the provincial-municipal level included higher revenue from provincial gasoline and retail sales taxes.

National Income

Discounting seasonal factors, labour income advanced by $2\frac{1}{2}$ per cent between the third and fourth quarters to a level of \$22.2 billion at annual rates. This was one of the largest quarter to quarter increases of recent years, and, in contrast to the five preceding quarters, the increases were concentrated in the goods-producing industries where the change was about $3\frac{1}{2}$ per cent. Within the goods-producing industries the largest increases were in manufacturing, which increased by over $3\frac{1}{2}$ per cent, and in construction, where a $4\frac{1}{2}$ per cent gain was associated with the substantial rise in expenditures on new housing. Some upward movement in both average hours worked and average hourly earnings occurred in manufacturing between the third and fourth quarters.

The rise in corporation profits was particularly sharp in the final quarter of the year and at an annual rate of \$4.1 billion was 7 per cent above the previous quarter. At the time of writing no industry detail is available for the fourth quarter, but such a rise is not out of line with increased output and reasonably stable costs.

Accrued net income of farm operators in the fourth quarter of 1963 was at an annual rate of \$1.9 billion, 12 per cent higher than the third quarter rate. Most of the change is accounted for by the sharp increase in the profits of the Canadian Wheat Board, reflecting the very high level of export sales during the quarter and increased livestock production, especially cattle and calves.

Production by Industry

Real gross domestic product at factor cost, adjusted for seasonal variation, increased by $3\frac{1}{2}$ per cent between the third and fourth quarters, while gross national product at market prices expressed in constant dollars advanced by somewhat less.⁽¹⁾

(1) See Appendix D pp. 135-144, of D.B.S. occasional Paper 61-505, for a detailed description of the conceptual and statistical differences between these two measures of aggregate production.

The main strength in real domestic product during the fourth quarter came from a $4\frac{1}{2}$ per cent increase in the output of the goods-producing industries which accounted for about 60 per cent of the gain in aggregate production. The goods-producing industries less agriculture increased by nearly 5 per cent.

Within the goods-producing area all industry divisions advanced during the fourth quarter except fishing and trapping. Construction, with a better than 6 per cent increase, almost attained its 1958 peak levels, while forestry also showed a strong gain.

The remaining goods-producing industries form the major part of the monthly Index of Industrial Production, which recorded one of its largest quarterly gains in recent years during the last three months of 1963, when output advanced by $4\frac{1}{2}$ per cent. The gain was particularly notable occurring as it did almost three years after the current expansion began early in 1961. All three major divisions of the index expanded at about equal rates, with mining up by over $4\frac{1}{2}$ per cent, manufacturing by almost $4\frac{1}{2}$ per cent and utilities by over 5 per cent. The current strength in manufacturing was much more apparent in durables than in non-durables, the former being higher by more than 6 per cent and the latter by under 3 per cent. The motor vehicle industry and iron and steel products industries were largely responsible for the substantial gain in durable manufacturing.

While metal mining was lower in 1963 than in the previous year, it showed considerable strength in the last quarter, particularly in the iron-ore, copper and nickel components. Both non-metals and fuels were up by about 4 per cent.

The three per cent increase in the output of the service producing industries was the largest quarterly gain shown by this industry group since the beginning of the current expansion. With the exception of public administration and defence, which showed no change during the fourth quarter, all major industry groups participated in this growth.

Transportation and trade each accounted for over one-third of the total increase in service industry output, while electric power and gas utilities were responsible for another 13 per cent of the total gain. The output of the storage industry increased by 10 per cent in the fourth quarter due almost entirely to increased handling operations at grain elevators. Several components of the transportation industry, which registered a 7 per cent increase in total, were substantially affected by increased shipments of grain in the fourth quarter. Of the 3 per cent gain in trade, the largest part was attributable to retail trade, with the biggest single influence being exerted by motor vehicle dealers.

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1959-63
(millions of dollars)

No.		1959					1960				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Wages, salaries, and supplementary labour income	4,118	4,362	4,495	4,484	17,459	4,342	4,565	4,719	4,619	18,245
2	Military pay and allowances	118	129	127	122	496	119	129	127	134	509
3	Corporation profits before taxes	697	959	929	919	3,504	751	910	877	800	3,338
4	Deduct: Dividends paid to non-residents(1)	-106	-105	-116	-174	-501	-102	-106	-115	-135	-458
5	Rent, interest and miscellaneous investment income	560	548	584	623	2,315	610	605	604	651	2,470
6	Accrued net income of farm operators from farm production(2)	18	122	912	69	1,121	27	82	984	93	1,186
7	Net income of non-farm unincorporated business(3)	459	568	556	627	2,210	446	555	522	690	2,213
8	Inventory valuation adjustment(4)	-28	-53	-16	-25	-122	-37	-46	15	-2	-70
9	NET NATIONAL INCOME AT FACTOR COST ...	5,836	6,530	7,471	6,645	26,482	6,156	6,694	7,733	6,850	27,433
10	Indirect taxes less subsidies	1,001	1,074	1,098	1,086	4,259	1,087	1,140	1,109	1,134	4,470
11	Capital consumption allowances and miscellaneous valuation adjustments	963	1,052	1,087	1,102	4,204	1,074	1,128	1,125	1,096	4,423
12	Residual error of estimate	-91	-105	56	110	-30	-41	-192	78	116	-39
13	GROSS NATIONAL PRODUCT AT MARKET PRICES	7,709	8,551	9,712	8,943	34,915	8,276	8,770	10,045	9,196	36,287
14	(Gross national product at market prices excluding accrued net income of farm operators)	(7,691)	(8,429)	(8,800)	(8,874)	(33,794)	(8,249)	(8,688)	(9,061)	(9,103)	(35,101)

(1) Includes the withholding tax applicable to this item.

(2) Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

TABLE 2. Gross National Expenditure, by Quarters, 1959-63
(millions of dollars)

No.		1959					1960				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal expenditure on consumer goods and services	5,218	5,617	5,556	6,200	22,591	5,423	5,888	5,780	6,449	23,540
2	Government expenditure on goods and services(1, 2)	1,475	1,533	1,819	1,663	6,490	1,527	1,524	1,970	1,748	6,769
3	Business gross fixed capital formation(3)	1,329	1,875	1,927	1,763	6,894	1,429	1,767	1,812	1,684	6,692
4	New residential construction	343	449	466	476	1,734	309	357	391	386	1,443
5	New non-residential construction ...	451	651	794	693	2,589	479	623	791	684	2,577
6	New machinery and equipment	535	775	667	594	2,571	641	787	630	614	2,672
7	Value of physical change in inventories(4)	11	-134	774	-294	357	162	-138	668	-282	410
8	Non-farm business inventories	285	-30	101	65	421	410	-45	-102	62	325
9	Farm inventories and grain in commercial channels	-274	-104	673	-359	-64	-248	-93	770	-344	85
10	Exports of goods and services	1,346	1,731	1,783	1,823	6,683	1,597	1,708	1,925	1,778	7,008
11	Deduct: Imports of goods and services	-1,761	-2,177	-2,091	-2,102	-8,131	-1,903	-2,171	-2,033	-2,065	-8,172
12	Residual error of estimate	91	106	-56	-110	31	41	192	-77	-116	40
13	GROSS NATIONAL EXPENDITURE AT MARKET PRICES	7,709	8,551	9,712	8,943	34,915	8,276	8,770	10,045	9,196	36,287

(1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

(2) For details of defence expenditures see line 3, Table 6.

(3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

TABLE 1. National Income and Gross National Product, by Quarters, 1959-63
(millions of dollars)

1961					1962					1963					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
4,448	4,730	4,936	4,875	18,989	4,747	5,048	5,231	5,157	20,183	5,058	5,359	5,567	5,566	21,550	1
129	140	137	144	550	147	152	145	142	586	136	157	148	157	598	2
609	909	926	956	3,400	733	998	939	970	3,640	788	1,068	998	1,066	3,920	3
-164	-122	-128	-172	-586	-128	-148	-116	-178	-570	-145	-118	-121	-209	-593	4
613	617	685	736	2,651	664	676	683	786	2,809	709	736	762	818	3,025	5
87	136	674	112	1,009	65	133	1,207	141	1,546	60	147	1,384	195	1,786	6
447	569	558	700	2,274	496	605	566	687	2,354	514	614	594	729	2,451	7
-8	-13	-42	-28	-91	-42	-43	-46	-2	-133	-28	-75	-44	-37	-184	8
6,161	6,966	7,746	7,323	28,196	6,682	7,421	8,609	7,703	30,415	7,092	7,888	9,288	8,285	32,553	9
1,121	1,179	1,156	1,255	4,711	1,252	1,319	1,372	1,334	5,277	1,359	1,338	1,412	1,456	5,565	10
1,082	1,144	1,160	1,188	4,574	1,134	1,226	1,227	1,278	4,865	1,196	1,281	1,277	1,370	5,124	11
-59	-130	56	43	-90	-149	-198	87	42	-218	-157	-155	59	18	-235	12
8,305	9,159	10,118	9,809	37,391	8,919	9,768	11,295	10,357	40,339	9,490	10,352	12,036	11,129	43,007	13
(8,218)	(9,023)	(9,444)	(9,697)	(36,382)	(8,854)	(9,635)	(10,088)	(10,216)	(38,793)	(9,430)	(10,205)	(10,652)	(10,934)	(41,221)	14

(3) Includes net income of independent professional practitioners.

(4) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1959-63
(millions of dollars)

1961					1962					1963					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
5,612	6,099	6,044	6,696	24,451	6,002	6,437	6,257	7,043	25,739	6,307	6,779	6,647	7,497	27,230	1
1,648	1,647	2,062	1,902	7,259	1,740	1,859	2,152	1,958	7,709	1,843	1,921	2,257	2,055	8,076	2
1,336	1,704	1,856	1,739	6,635	1,405	1,801	1,926	1,828	6,960	1,460	1,930	2,053	2,052	7,495	3
269	365	421	403	1,458	293	392	457	435	1,577	298	413	477	517	1,705	4
479	634	826	744	2,683	512	638	778	710	2,638	502	686	836	787	2,811	5
588	705	609	592	2,494	600	771	691	683	2,745	660	831	740	748	2,979	6
-29	-125	256	-234	-132	-58	-174	1,079	-325	522	-51	-247	1,122	-365	459	7
199	-13	-96	188	278	187	-46	118	42	301	188	-161	9	130	166	8
-228	-112	352	-422	-410	-245	-128	961	-367	221	-239	-86	1,113	-495	293	9
1,587	1,874	2,127	2,043	7,631	1,728	2,072	2,246	2,178	8,224	1,844	2,251	2,457	2,502	9,054	10
-1,908	-2,170	-2,171	-2,293	-8,542	-2,047	-2,425	-2,278	-2,283	-9,033	-2,071	-2,436	-2,442	-2,593	-9,542	11
59	130	-56	-44	89	149	198	-87	-42	218	158	154	-58	-19	235	12
8,305	9,159	10,118	9,809	37,391	8,919	9,768	11,295	10,357	40,339	9,490	10,352	12,036	11,129	43,007	13

(4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Sources of Personal Income, by Quarters, 1959-63
(millions of dollars)

No.		1959					1960				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Wages, salaries, and supplementary labour income	4,118	4,362	4,495	4,484	17,459	4,342	4,565	4,719	4,619	18,245
2	Deduct: Employer and employee contributions to social insurance and government pension funds	-158	-152	-162	-180	-652	-190	-169	-195	-197	-751
3	Military pay and allowances	118	129	127	122	496	119	129	127	134	509
4	Net income received by farm operators from farm production(1)	37	146	898	45	1,126	44	86	973	74	1,177
5	Net income of non-farm unincorporated business	459	568	556	627	2,210	446	555	522	690	2,213
6	Interest, dividends and net rental income of persons(2)	589	649	652	709	2,599	713	732	708	729	2,882
	Transfer payments to persons:										
7	From government (excluding interest)	793	696	618	648	2,755	898	758	714	750	3,120
8	Charitable contributions by corporations	9	12	11	11	43	10	10	10	10	40
9	PERSONAL INCOME	5,965	6,410	7,195	6,466	26,036	6,382	6,666	7,578	6,809	27,435

- (1) This item differs from line 6 of Table 1, by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.
(2) Includes all government debt interest paid to persons.

TABLE 4. Disposition of Personal Income, by Quarters, 1959-63
(millions of dollars)

No.		1959					1960				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal direct taxes	479	529	527	553	2,088	556	640	578	586	2,360
2	Income taxes	375	444	454	471	1,744	429	551	500	499	1,979
3	Succession duties and estate taxes ..	35	30	31	34	130	49	38	32	39	158
4	Miscellaneous	69	55	42	48	214	78	51	46	48	223
5	Personal expenditure on consumer goods and services	5,218	5,617	5,556	6,200	22,591	5,423	5,888	5,780	6,449	23,540
6	Non-durable goods	2,565	2,703	2,790	3,315	11,373	2,653	2,842	2,913	3,405	11,813
7	Durable goods	586	772	625	695	2,678	582	754	599	729	2,664
8	Services(1)	2,067	2,142	2,141	2,190	8,540	2,188	2,292	2,268	2,315	9,063
9	Personal net saving	268	264	1,112	-287	1,357	403	138	1,220	-226	1,535
10	Personal saving excluding change in farm inventories	519	347	482	85	1,433	597	256	528	138	1,519
11	Value of physical change in farm inventories	-251	-83	630	-372	-76	-194	-118	692	-364	16
12	PERSONAL INCOME	5,965	6,410	7,195	6,466	26,036	6,382	6,666	7,578	6,809	27,435
13	(Personal disposable income)(2)	(5,486)	(5,881)	(6,668)	(5,913)	(23,948)	(5,826)	(6,026)	(7,000)	(6,223)	(25,075)

- (1) Includes net expenditure abroad.
(2) Personal Income less Total Personal Direct Taxes.

TABLE 3. Sources of Personal Income, by Quarters, 1959-63
(millions of dollars)

1961					1962					1963					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
4,448	4,730	4,936	4,875	18,989	4,747	5,048	5,231	5,157	20,183	5,058	5,359	5,567	5,566	21,550	1
-197	-189	-201	-200	-787	-200	-195	-207	-209	-811	-207	-202	-213	-216	-838	2
129	140	137	144	550	147	152	145	142	586	136	157	148	157	598	3
107	115	659	97	978	35	231	1,163	112	1,541	32	200	1,327	91	1,650	4
447	569	558	700	2,274	496	605	566	687	2,354	514	614	594	729	2,451	5
713	750	746	815	3,024	768	811	799	866	3,244	831	880	853	923	3,487	6
988	846	776	815	3,425	1,080	898	831	867	3,676	1,092	936	875	926	3,829	7
10	10	10	10	40	11	11	11	11	44	11	11	11	11	44	8
6,645	6,971	7,621	7,256	28,493	7,084	7,561	8,539	7,633	30,817	7,467	7,955	9,162	8,187	32,771	9

TABLE 4. Disposition of Personal Income, by Quarters, 1959-63
(millions of dollars)

1961					1962					1963					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
571	676	632	634	2,513	626	718	676	700	2,720	682	742	720	766	2,910	1
454	586	545	546	2,131	498	627	587	599	2,311	556	646	628	657	2,487	2
36	35	37	36	144	42	40	43	41	166	36	41	44	50	171	3
81	55	50	52	238	86	51	46	60	243	90	55	48	59	252	4
5,612	6,099	6,044	6,696	24,451	6,002	6,437	6,257	7,043	25,739	6,307	6,779	6,647	7,497	27,230	5
2,732	2,936	3,013	3,490	12,171	2,924	3,072	3,177	3,666	12,839	3,051	3,184	3,337	3,807	13,379	6
556	750	648	762	2,716	641	830	625	834	2,930	673	905	683	946	3,207	7
2,324	2,413	2,383	2,444	9,564	2,437	2,535	2,455	2,543	9,970	2,583	2,690	2,627	2,744	10,644	8
462	196	945	-74	1,529	456	406	1,606	-110	2,358	478	434	1,795	-76	2,631	9
655	266	603	284	1,808	630	436	762	353	2,181	697	484	764	373	2,318	10
-193	-70	342	-358	-279	-174	-30	844	-463	177	-219	-50	1,031	-449	313	11
6,645	6,971	7,621	7,256	28,493	7,084	7,561	8,539	7,633	30,817	7,467	7,955	9,162	8,187	32,771	12
(6,074)	(6,295)	(6,989)	(6,622)	(25,980)	(6,458)	(6,843)	(7,863)	(6,933)	(28,097)	(6,785)	(7,213)	(8,442)	(7,421)	(29,861)	13

TABLE 5. Government Revenue, by Quarters, 1959-63
(millions of dollars)

No.		1959					1960				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Direct taxes - Persons	479	529	527	553	2,088	556	640	578	586	2,360
2	Federal	385	452	457	476	1,770	447	557	506	507	2,017
3	Provincial and municipal	94	77	70	77	318	109	83	72	79	343
4	Direct taxes - Corporations	323	437	414	407	1,581	349	425	401	369	1,544
5	Federal	268	362	343	337	1,310	286	348	329	303	1,266
6	(Federal tax collections)	(259)	(314)	(300)	(294)	(1,167)	(302)	(400)	(360)	(302)	(1,364)
7	Provincial	55	75	71	70	271	63	77	72	66	278
8	(Provincial tax collections)	(68)	(66)	(63)	(61)	(258)	(81)	(79)	(81)	(61)	(302)
	Withholding taxes:										
9	Federal(1)	19	16	18	21	74	19	19	17	24	79
10	Indirect taxes	1,042	1,125	1,153	1,144	4,464	1,137	1,197	1,175	1,196	4,705
11	Federal	456	546	556	567	2,125	502	570	540	568	2,180
12	Provincial and municipal	586	579	597	577	2,339	635	627	635	628	2,525
13	Investment income	215	239	238	306	998	236	256	250	321	1,063
14	Federal	67	83	80	120	350	76	95	81	130	382
15	Provincial and municipal	148	156	158	186	648	160	161	169	191	681
16	Employer and employee contributions to social insurance and government pension funds	158	152	162	180	652	190	169	195	197	751
17	Federal	102	93	101	118	414	128	104	127	128	487
18	Provincial and municipal	56	59	61	62	238	62	65	68	69	264
	Transfers from Federal:										
19	Provincial and municipal	201	210	233	236	880	251	247	242	254	994
20	TOTAL REVENUE	2,437	2,708	2,745	2,847	10,737	2,738	2,953	2,858	2,947	11,496
21	FEDERAL	1,297	1,552	1,555	1,639	6,043	1,458	1,693	1,600	1,660	6,411
22	PROVINCIAL and MUNICIPAL	1,140	1,156	1,190	1,208	4,694	1,280	1,260	1,258	1,287	5,085

(1) Beginning in 1962, the withholding tax series has been adjusted to conform more closely with the flow of interest and dividends to non-residents.

TABLE 5. Government Revenue, by Quarters, 1959-63
(millions of dollars)

1961					1962					1963					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
571	676	632	634	2,513	626	718	676	700	2,720	682	742	720	766	2,910	1
461	582	543	546	2,132	468	563	526	531	2,088	488	572	555	578	2,193	2
110	94	89	88	381	158	155	150	169	632	194	170	165	188	717	3
305	411	441	443	1,600	368	457	430	445	1,700	388	484	454	484	1,810	4
248	334	358	360	1,300	275	341	321	333	1,270	290	361	339	363	1,353	5
(297)	(360)	(314)	(296)	(1,267)	(317)	(367)	(322)	(288)	(1,294)	(305)	(373)	(338)	(312)	(1,328)	6
57	77	83	83	300	93	116	109	112	430	98	123	115	121	457	7
(77)	(74)	(70)	(63)	(284)	(91)	(79)	(100)	(91)	(361)	(110)	(107)	(129)	(101)	(447)	8
30	27	24	35	116	26	35	23	41	125	31	30	24	43	128	9
1,166	1,230	1,253	1,316	4,965	1,312	1,385	1,434	1,432	5,563	1,416	1,428	1,495	1,539	5,878	10
496	553	555	586	2,190	528	596	635	642	2,401	551	592	621	686	2,450	11
670	677	698	730	2,775	784	789	799	790	3,162	865	836	874	853	3,428	12
240	258	290	346	1,134	274	295	284	387	1,240	295	337	330	371	1,333	13
73	87	116	133	409	78	111	92	169	450	92	138	133	134	497	14
167	171	174	213	725	196	184	192	218	790	203	199	197	237	836	15
197	189	201	200	787	200	195	207	209	811	207	202	213	216	838	16
129	120	130	131	510	129	122	133	134	518	134	126	136	137	533	17
68	69	71	69	277	71	73	74	75	293	73	76	77	79	305	18
260	298	283	287	1,128	299	257	277	301	1,134	303	309	264	289	1,165	19
2,769	3,089	3,124	3,261	12,243	3,105	3,342	3,331	3,515	13,293	3,322	3,532	3,500	3,708	14,062	20
1,437	1,703	1,726	1,791	6,657	1,504	1,768	1,730	1,850	6,852	1,586	1,819	1,808	1,941	7,154	21
1,332	1,386	1,398	1,470	5,586	1,601	1,574	1,601	1,665	6,441	1,736	1,713	1,692	1,767	6,908	22

TABLE 6. Government Expenditure, by Quarters, 1959-63
(millions of dollars)

No.		1959					1960				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Goods and services	1,475	1,533	1,819	1,663	6,490	1,527	1,524	1,970	1,748	6,769
2	Federal	712	711	725	684	2,832	671	634	733	692	2,730
3	(Defence)	(457)	(356)	(370)	(376)	(1,559)	(433)	(336)	(387)	(390)	(1,546)
4	Provincial and municipal	763	822	1,094	979	3,658	856	890	1,237	1,056	4,039
5	Transfer payments to persons (excluding interest on the public debt)	793	696	618	648	2,755	898	758	714	750	3,120
6	Federal	538	460	384	409	1,791	579	491	435	471	1,976
7	Provincial and municipal	255	236	234	239	964	319	267	279	279	1,144
8	Interest on the public debt	171	265	235	292	963	249	291	264	291	1,095
9	Federal(2)	117	178	180	203	678	179	191	199	184	753
10	Provincial and municipal	54	87	55	89	285	70	100	65	107	342
11	Subsidies	41	51	55	58	205	50	57	66	62	235
12	Federal	40	49	48	52	189	48	53	54	54	209
13	Provincial	1	2	7	6	16	2	4	12	8	26
	Transfers to other levels of government:										
14	Federal	201	210	233	236	880	251	247	242	254	994
15	Total expenditure	2,681	2,755	2,960	2,897	11,293	2,975	2,877	3,256	3,105	12,213
16	Federal	1,608	1,608	1,570	1,584	6,370	1,728	1,616	1,663	1,655	6,662
17	Provincial and municipal	1,073	1,147	1,390	1,313	4,923	1,247	1,261	1,593	1,450	5,551
18	Deficit (-) or surplus (+)	-244	-47	-215	-50	-556	-237	76	-398	-158	-717
19	Federal	-311	-56	-15	55	-327	-270	77	-63	5	-251
20	Provincial and municipal	67	9	-200	-105	-229	33	-1	-335	-163	-466
21	TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	2,437	2,708	2,745	2,847	10,737	2,738	2,953	2,858	2,947	11,496
22	FEDERAL	1,297	1,552	1,555	1,639	6,043	1,458	1,693	1,600	1,660	6,411
23	PROVINCIAL AND MUNICIPAL	1,140	1,156	1,190	1,208	4,694	1,280	1,260	1,258	1,287	5,085

(1) In this quarter the federal deficit is irregularly high by about \$75 million and the provincial - municipal surplus also correspondingly high as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements.

TABLE 6. Government Expenditure, by Quarters, 1959-63
(millions of dollars)

1961					1962					1963					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
1,648	1,647	2,062	1,902	7,259	1,740	1,859	2,152	1,958	7,709	1,843	1,921	2,257	2,055	8,076	1
705	714	795	768	2,982	760	771	774	719	3,024	735	713	771	708	2,927	2
(436)	(366)	(391)	(420)	(1,613)	(471)	(401)	(397)	(409)	(1,678)	(409)	(375)	(392)	(400)	(1,576)	3
943	933	1,267	1,134	4,277	980	1,088	1,378	1,239	4,685	1,108	1,208	1,486	1,347	5,149	4
988	846	776	815	3,425	1,080	898	831	867	3,676	1,092	936	875	926	3,829	5
600	516	423	467	2,006	663	521	451	477	2,112	627	533	459	511	2,130	6
388	330	353	348	1,419	417	377	380	390	1,564	465	403	416	415	1,699	7
262	319	273	320	1,174	294	349	313	353	1,309	322	386	328	378	1,414	8
183	203	200	200	786	200	219	229	217	865	216	244	243	232	935	9
79	116	73	120	388	94	130	84	136	444	106	142	85	146	479	10
45	51	97	61	254	60	66	62	98	286	57	90	83	83	313	11
42	48	83	48	221	57	63	50	90	260	51	86	64	74	275	12
3	3	14	13	33	3	3	12	8	26	6	4	19	9	38	13
260	298	283	287	1,128	299	257	277	301	1,134	303	309	264	289	1,165	14
3,203	3,161	3,491	3,385	13,240	3,473	3,429	3,635	3,577	14,114	3,617	3,642	3,807	3,731	14,797	15
1,790	1,779	1,784	1,770	7,123	1,979	1,831	1,781	1,804	7,395	1,932	1,885	1,801	1,814	7,432	16
1,413	1,382	1,707	1,615	6,117	1,494	1,598	1,854	1,773	6,719	1,685	1,757	2,006	1,917	7,365	17
-434	-72	-367	-124	-997	-368	-87	-304	-62	-821	-295	-110	-307	-23	-735	18
-353	-76	-58	21	-466	-475(1)	-63	-51	46	-543	-346	-66	7	127	-278	19
-81	4	-309	-145	-531	107(1)	-24	-253	-108	-278	51	-44	-314	-150	-457	20
2,769	3,089	3,124	3,261	12,243	3,105	3,342	3,331	3,515	13,293	3,322	3,532	3,500	3,708	14,062	21
1,437	1,703	1,726	1,791	6,657	1,504	1,768	1,730	1,850	6,852	1,586	1,819	1,808	1,941	7,154	22
1,332	1,386	1,398	1,470	5,586	1,601	1,574	1,601	1,665	6,441	1,736	1,713	1,692	1,767	6,908	23

(2) From the first quarter of 1960, the annual and the quarterly series of the federal public debt are on an accrual basis; prior to this period they are on a "due-date" basis.

TABLE 7. Source of National Saving, by Quarters, 1959-63
(millions of dollars)

No.		1959					1960				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal net saving	268	264	1,112	-287	1,357	403	138	1,220	-226	1,535
2	Business gross saving	1,111	1,342	1,400	1,332	5,185	1,238	1,382	1,380	1,269	5,269
3	Undistributed corporation profits ...	167	314	299	206	986	181	258	244	154	837
4	Capital consumption allowances and miscellaneous valuation adjustments	963	1,052	1,087	1,102	4,204	1,074	1,128	1,125	1,096	4,423
5	Adjustment on grain transac- tions(1)	-19	-24	14	24	-5	-17	-4	11	19	9
6	Inventory valuation adjustment	-28	-53	-16	-25	-122	-37	-46	15	-2	-70
7	Government surplus (+) or deficit (-)	-244	-47	-215	-50	-556	-237	76	-398	-158	-717
8	Residual error of estimate	-91	-105	56	110	-30	-41	-192	78	116	-39
9	Totals	1,016	1,401	2,337	1,080	5,834	1,326	1,358	2,295	999	5,978

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 8. Disposition of National Saving, by Quarters, 1959-63
(millions of dollars)

No.		1959					1960				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Business gross fixed capital formation	1,329	1,875	1,927	1,763	6,894	1,429	1,767	1,812	1,684	6,692
2	New residential construction	343	449	466	476	1,734	309	357	391	386	1,443
3	New non-residential construction	451	651	794	693	2,589	479	623	791	684	2,577
4	New machinery and equipment	535	775	667	594	2,571	641	787	630	614	2,672
5	Value of physical change in inventories	11	-134	774	-294	357	162	-138	668	-282	410
6	Surplus (+) or deficit (-) on current account with non-residents	-415	-446	-308	-279	-1,448	-306	-463	-108	-287	-1,164
7	Residual error of estimate	91	106	-56	-110	31	41	192	-77	-116	40
8	Totals	1,016	1,401	2,337	1,080	5,834	1,326	1,358	2,295	999	5,978

TABLE 7. Source of National Saving, by Quarters, 1959-63
(millions of dollars)

1961					1962					1963					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
462	196	945	-74	1,529	456	406	1,606	-110	2,358	478	434	1,795	-76	2,631	1
1,084	1,432	1,420	1,394	5,330	1,280	1,394	1,543	1,488	5,705	1,342	1,558	1,629	1,695	6,224	2
22	267	245	191	725	116	266	272	181	835	118	330	295	221	964	3
1,082	1,144	1,160	1,188	4,574	1,134	1,226	1,227	1,278	4,865	1,196	1,281	1,277	1,370	5,124	4
-20	21	15	15	31	30	-98	44	29	5	28	-53	57	104	136	5
-8	-13	-42	-28	-91	-42	-43	-46	-2	-133	-28	-75	-44	-37	-184	6
-434	-72	-367	-124	-997	-368	-87	-304	-62	-821	-295	-110	-307	-23	-735	7
-59	-130	56	43	-90	-149	-198	87	42	-218	-157	-155	59	18	-235	8
1,045	1,413	2,012	1,211	5,681	1,177	1,472	2,886	1,356	6,891	1,340	1,652	3,132	1,577	7,701	9

TABLE 8. Disposition of National Saving, by Quarters, 1959-63
(millions of dollars)

1961					1962					1963					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
1,336	1,704	1,856	1,739	6,635	1,405	1,801	1,926	1,828	6,960	1,460	1,930	2,053	2,052	7,495	1
269	365	421	403	1,458	293	392	457	435	1,577	298	413	477	517	1,705	2
479	634	826	744	2,683	512	638	778	710	2,638	502	686	836	787	2,811	3
588	705	609	592	2,494	600	771	691	683	2,745	660	831	740	748	2,979	4
-29	-125	256	-234	-132	-58	-174	1,079	-325	522	-51	-247	1,122	-365	459	5
-321	-296	-44	-250	-911	-319	-353	-32	-105	-809	-227	-185	15	-91	-488	6
59	130	-56	-44	89	149	198	-87	-42	218	158	154	-58	-19	235	7
1,045	1,413	2,012	1,211	5,681	1,177	1,472	2,886	1,356	6,891	1,340	1,652	3,132	1,577	7,701	8

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1959-63(1)
(millions of dollars)

No.		1959					1960				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal expenditure on consumer goods and services	5,029	5,407	5,344	5,931	21,711	5,182	5,605	5,497	6,118	22,402
2	Non-durable goods	2,508	2,643	2,722	3,218	11,091	2,593	2,763	2,821	3,283	11,460
3	Durable goods	563	746	615	668	2,592	553	725	590	714	2,582
4	Services	1,958	2,018	2,007	2,045	8,028	2,036	2,117	2,086	2,121	8,360
5	Government expenditure on goods and services	1,399	1,477	1,763	1,566	6,205	1,392	1,415	1,865	1,596	6,268
6	Business gross fixed capital formation	1,276	1,789	1,830	1,667	6,562	1,339	1,645	1,683	1,564	6,231
7	New residential construction	329	424	436	444	1,633	287	327	357	352	1,323
8	New non-residential construction	434	624	758	657	2,473	446	582	737	639	2,404
9	New machinery and equipment	513	741	636	566	2,456	606	736	589	573	2,504
10	Change in inventories	30	-163	741	-270	338	156	-159	642	-242	397
11	Non-farm business inventories	278	-23	93	66	414	396	-35	-107	71	325
12	Farm inventories and grain in commercial channels	-248	-140	648	-336	-76	-240	-124	749	-313	72
13	Exports of goods and services	1,337	1,710	1,761	1,802	6,610	1,585	1,667	1,883	1,749	6,884
14	Deduct: Imports of goods and services	-1,733	-2,151	-2,075	-2,099	-8,058	-1,885	-2,122	-1,984	-2,029	-8,020
15	Residual error of estimate	87	102	-54	-105	30	39	181	-73	-109	38
16	GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	7,425	8,171	9,310	8,492	33,398	7,807	8,233	9,513	8,647	34,200

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, derived by dividing the value figures in Table 2 by the constant dollar figures in Table 9, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1959-63
(millions of dollars)

1961					1962					1963					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
5,305	5,768	5,699	6,323	23,095	5,638	6,014	5,801	6,540	23,993	5,834	6,254	6,064	6,864	25,016	1
2,636	2,834	2,889	3,359	11,718	2,810	2,933	3,005	3,459	12,207	2,883	2,994	3,090	3,532	12,499	2
543	735	651	757	2,686	636	822	622	824	2,904	665	893	676	933	3,167	3
2,126	2,199	2,159	2,207	8,691	2,192	2,259	2,174	2,257	8,882	2,286	2,367	2,298	2,399	9,350	4
1,449	1,504	1,944	1,684	6,581	1,468	1,629	1,947	1,671	6,715	1,504	1,600	1,940	1,658	6,702	5
1,234	1,575	1,715	1,600	6,124	1,277	1,625	1,731	1,632	6,265	1,293	1,705	1,797	1,776	6,571	6
246	333	383	366	1,328	263	348	403	382	1,396	260	357	410	432	1,459	7
443	587	771	692	2,493	468	581	710	641	2,400	446	608	739	692	2,485	8
545	655	561	542	2,303	546	696	618	609	2,469	587	740	648	652	2,627	9
-21	-160	219	-171	-133	-16	-182	967	-274	495	-9	-270	1,030	-320	431	10
191	-7	-104	193	273	185	-48	101	42	280	192	-146	-1	113	158	11
-212	-153	323	-364	-406	-201	-134	866	-316	215	-201	-124	1,031	-433	273	12
1,562	1,832	2,048	1,960	7,402	1,648	1,945	2,106	2,038	7,737	1,718	2,091	2,285	2,320	8,414	13
-1,842	-2,091	-2,040	-2,162	-8,135	-1,892	-2,202	-2,065	-2,090	-8,249	-1,862	-2,165	-2,146	-2,301	-8,474	14
55	122	-53	-41	83	137	183	-80	-38	202	143	140	-53	-17	213	15
7,742	8,550	9,532	9,193	35,017	8,260	9,012	10,407	9,479	37,158	8,621	9,355	10,917	9,980	38,873	16

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1959-63 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1959				
		I	II	III	IV	Year
1	Wages, salaries, and supplementary labour income	17,164	17,376	17,432	17,864	17,459
2	Military pay and allowances	496	504	500	484	496
3	Corporation profits before taxes	3,396	3,484	3,516	3,620	3,504
4	Deduct: Dividends paid to non-residents(1)	-492	-492	-484	-536	-501
5	Rent, interest and miscellaneous investment income	2,312	2,252	2,296	2,400	2,315
6	Accrued net income of farm operators from farm production(2)	1,076	1,196	1,148	1,064	1,121
7	Net income of non-farm unincorporated business(3)	2,136	2,240	2,224	2,240	2,210
8	Inventory valuation adjustment	-112	-212	-64	-100	-122
9	NET NATIONAL INCOME AT FACTOR COST	25,976	26,348	26,568	27,036	26,482
10	Indirect taxes less subsidies	4,100	4,248	4,356	4,332	4,259
11	Capital consumption allowances and miscellaneous valuation adjustments	4,004	4,152	4,316	4,344	4,204
12	Residual error of estimate	-16	32	-56	-80	-30
13	GROSS NATIONAL PRODUCT AT MARKET PRICES	34,064	34,780	35,184	35,632	34,915
14	(Gross national product at market prices excluding accrued net income of farm operators)	(32,988)	(33,584)	(34,036)	(34,568)	(33,794)
No.		1962				
		I	II	III	IV	Year
1	Wages, salaries, and supplementary labour income	19,756	20,060	20,336	20,580	20,183
2	Military pay and allowances	604	588	584	568	586
3	Corporation profits before taxes	3,588	3,620	3,592	3,760	3,640
4	Deduct: Dividends paid to non-residents(1)	-532	-656	-536	-556	-570
5	Rent, interest and miscellaneous investment income	2,756	2,804	2,732	2,944	2,809
6	Accrued net income of farm operators from farm production(2)	1,552	1,440	1,536	1,656	1,546
7	Net income of non-farm unincorporated business(3)	2,364	2,372	2,332	2,348	2,354
8	Inventory valuation adjustment	-168	-172	-184	-8	-133
9	NET NATIONAL INCOME AT FACTOR COST	29,920	30,056	30,392	31,292	30,415
10	Indirect taxes less subsidies	5,140	5,256	5,468	5,244	5,277
11	Capital consumption allowances and miscellaneous valuation adjustments	4,712	4,848	4,888	5,012	4,865
12	Residual error of estimate	-320	-232	-108	-212	-218
13	GROSS NATIONAL PRODUCT AT MARKET PRICES	39,452	39,928	40,640	41,336	40,339
14	(Gross national product at market prices excluding accrued net income of farm operators)	(37,900)	(38,488)	(39,104)	(39,680)	(38,793)

(1) See Footnote 1, Table 1.

(2) Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

(3) Includes net income of independent professional practitioners.

TABLE 10. National Income and Gross National Product, by Quarters, 1959-63 Seasonally Adjusted at Annual Rates
(millions of dollars)

1960					1961					No.
I	II	III	IV	Year	I	II	III	IV	Year	
18,084	18,172	18,312	18,412	18,245	18,512	18,816	19,176	19,452	18,989	1
496	500	504	536	509	532	544	548	576	550	2
3,612	3,332	3,320	3,088	3,338	2,984	3,348	3,536	3,732	3,400	3
-448	-468	-492	-424	-458	-680	-540	-580	-544	-586	4
2,536	2,476	2,440	2,428	2,470	2,544	2,548	2,752	2,760	2,651	5
1,184	1,136	1,196	1,228	1,186	988	992	1,100	956	1,009	6
2,104	2,196	2,220	2,332	2,213	2,080	2,264	2,356	2,396	2,274	7
-148	-184	60	-8	-70	-32	-52	-168	-112	-91	8
27,420	27,160	27,560	27,592	27,433	26,928	27,920	28,720	29,216	28,196	9
4,456	4,512	4,436	4,476	4,470	4,604	4,664	4,616	4,960	4,711	10
4,492	4,440	4,436	4,324	4,423	4,508	4,512	4,580	4,696	4,574	11
156	-292	-152	132	-39	76	44	-224	-256	-90	12
36,524	35,820	36,280	36,524	36,287	36,116	37,140	37,692	38,616	37,391	13
(35,340)	(34,684)	(35,084)	(35,296)	(35,101)	(35,128)	(36,148)	(36,592)	(37,660)	(36,382)	14
1963										
I	II	III	IV	Year						
21,032	21,280	21,680	22,208	21,550						
556	608	600	628	598						
3,868	3,892	3,828	4,092	3,920						
-612	-532	-568	-660	-593						
2,932	3,040	3,044	3,084	3,025						
1,788	1,724	1,712	1,920	1,786						
2,448	2,416	2,448	2,492	2,451						
-112	-300	-176	-148	-184						
31,900	32,128	32,568	33,616	32,553						
5,588	5,344	5,612	5,716	5,565						
4,972	5,068	5,116	5,340	5,124						
-360	-20	-220	-340	-235						
42,100	42,520	43,076	44,332	43,007						
(40,312)	(40,796)	(41,364)	(42,412)	(41,221)						

TABLE 11. Gross National Expenditure, by Quarters, 1959-63 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1959				
		I	II	III	IV	Year
1	Personal expenditure on consumer goods and services	22,244	22,436	22,696	22,988	22,591
2	Government expenditure on goods and services (1, 2)	6,412	6,576	6,440	6,532	6,490
3	Business gross fixed capital formation(3)	6,604	6,964	7,044	6,964	6,894
4	New residential construction	1,788	1,740	1,688	1,720	1,734
5	New non-residential construction	2,500	2,624	2,600	2,632	2,589
6	New machinery and equipment	2,316	2,600	2,756	2,612	2,571
7	Value of physical change in inventories	284	236	624	284	357
8	Non-farm business inventories	496	252	616	320	421
9	Farm inventories and grain in commercial channels(4)	-212	-16	8	-36	-64
10	Exports of goods and services	6,344	6,688	6,636	7,064	6,683
11	Deduct: Imports of goods and services	-7,844	-8,084	-8,316	-8,280	-8,131
12	Residual error of estimate	20	-36	60	80	31
13	GROSS NATIONAL EXPENDITURE AT MARKET PRICES	34,064	34,780	35,184	35,632	34,915
Detail of Farm Inventories and GICC:						
	Value of grain crop production	912	912	912	912	912
	Depletions of farm stocks of grain	-1,164	-948	-920	-1,000	-1,008
	Change in livestock inventories	8	20	28	24	20
	Grain in Commercial Channels	32	-	-12	28	12

No.		1962				
		I	II	III	IV	Year
1	Personal expenditure on consumer goods and services	25,460	25,544	25,716	26,236	25,739
2	Government expenditure on goods and services(1, 2)	7,520	7,924	7,660	7,732	7,709
3	Business gross fixed capital formation(3)	6,876	6,892	7,004	7,068	6,960
4	New residential construction	1,540	1,580	1,612	1,576	1,577
5	New non-residential construction	2,732	2,644	2,576	2,600	2,638
6	New machinery and equipment	2,604	2,668	2,816	2,892	2,745
7	Value of physical change in inventories	264	272	1,012	540	522
8	Non-farm business inventories	56	284	708	156	301
9	Farm inventories and grain in commercial channels(4)	208	-12	304	384	221
10	Exports of goods and services	7,976	8,248	8,240	8,432	8,224
11	Deduct: Imports of goods and services	-8,960	-9,184	-9,100	-8,888	-9,033
12	Residual error of estimate	316	232	108	216	218
13	GROSS NATIONAL EXPENDITURE AT MARKET PRICES	39,452	39,928	40,640	41,336	40,339
Detail of Farm Inventories and GICC:						
	Value of grain crop production	1,184	1,184	1,184	1,188	1,185
	Depletions of farm stocks of grain	-864	-912	-1,156	-1,196	-1,032
	Change in livestock inventories	28	12	52	4	24
	Grain in Commercial Channels	-140	-296	224	388	44

(1) See footnote 1, Table 2.

(2) For details of defence expenditures, see line 3, Table 15.

(3) See footnote 3, Table 2.

(4) In the seasonally adjusted series, the value of grain production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 2, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 11. Gross National Expenditure, by Quarters, 1959-63 Seasonally Adjusted at Annual Rates
(millions of dollars)

1960					1961					No.
I	II	III	IV	Year	I	II	III	IV	Year	
23,132	23,456	23,580	23,992	23,540	23,832	24,320	24,740	24,912	24,451	1
6,664	6,532	6,980	6,900	6,769	7,152	7,044	7,324	7,516	7,259	2
6,988	6,624	6,552	6,604	6,692	6,556	6,536	6,708	6,740	6,635	3
1,592	1,400	1,396	1,384	1,443	1,404	1,468	1,500	1,460	1,458	4
2,640	2,544	2,572	2,552	2,577	2,612	2,640	2,716	2,764	2,683	5
2,756	2,680	2,584	2,668	2,672	2,540	2,428	2,492	2,516	2,494	6
976	348	-56	372	410	-252	40	-552	236	-132	7
924	280	-140	236	325	96	436	-120	700	278	8
52	68	84	136	85	-348	-396	-432	-464	-410	9
7,276	6,760	7,096	6,900	7,008	7,296	7,440	7,852	7,936	7,631	10
-8,356	-8,192	-8,024	-8,116	-8,172	-8,392	-8,192	-8,600	-8,984	-8,542	11
-156	292	152	-128	40	-76	-48	220	260	89	12
36,524	35,820	36,280	36,524	36,287	36,116	37,140	37,692	38,616	37,391	13
1,008	1,008	1,012	1,012	1,010	624	624	624	624	624	
-920	-1,028	-1,060	-1,024	-1,008	-1,072	-1,048	-896	-744	-940	
40	-84	20	80	14	96	112	20	-80	37	
-76	172	112	68	69	4	-84	-180	-264	-131	
1963										
I	II	III	IV	Year						
26,660	26,896	27,396	27,968	27,230						
7,996	8,108	8,152	8,048	8,076						
7,128	7,436	7,500	7,916	7,495						
1,584	1,676	1,680	1,880	1,705						
2,668	2,864	2,812	2,900	2,811						
2,876	2,896	3,008	3,136	2,979						
464	340	580	452	459						
76	-60	264	384	166						
388	400	316	68	293						
8,552	8,980	9,032	9,652	9,054						
-9,064	-9,256	-9,804	-10,044	-9,542						
364	16	220	340	235						
42,100	42,520	43,076	44,332	43,007						
1,380	1,380	1,380	1,384	1,381						
-1,064	-1,020	-1,160	-1,224	-1,117						
8	72	20	96	49						
64	-32	76	-188	-20						

TABLE 12. Source of Personal Income, by Quarters, 1959-63 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1959					1960				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Wages, salaries, and supplementary labour income	17,164	17,376	17,432	17,864	17,459	18,084	18,172	18,312	18,412	18,245
2	Deduct: Employer and employee contributions to social insurance and government pension funds	-620	-628	-644	-716	-652	-756	-700	-772	-776	-751
3	Military pay and allowances ..	496	504	500	484	496	496	500	504	536	509
4	Net income received by farm operators from farm production(1)	1,064	1,264	1,132	1,044	1,126	1,160	1,124	1,188	1,236	1,177
5	Net income of non-farm unincorporated business	2,136	2,240	2,224	2,240	2,210	2,104	2,196	2,220	2,332	2,213
6	Interest, dividends and net rental income of persons(2)	2,452	2,544	2,668	2,732	2,599	2,908	2,892	2,896	2,832	2,882
	Transfer payments to persons:										
7	From government (excluding interest)	2,656	2,836	2,708	2,820	2,755	3,032	2,984	3,200	3,264	3,120
8	Charitable contributions by corporations	40	44	44	44	43	40	40	40	40	40
9	PERSONAL INCOME	25,388	26,180	26,064	26,512	26,036	27,068	27,208	27,588	27,876	27,435

(1) This item differs from line 6, Table 10 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 13. Disposition of Personal Income, by Quarters, 1959-63 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1959					1960				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal direct taxes	1,988	1,972	2,152	2,240	2,088	2,340	2,380	2,348	2,372	2,360
2	Income taxes	1,636	1,636	1,816	1,888	1,744	1,928	2,004	1,996	1,988	1,979
3	Succession duties and estate taxes	140	120	124	136	130	196	152	128	156	158
4	Miscellaneous	212	216	212	216	214	216	224	224	228	223
5	Personal expenditure on consumer goods and services ...	22,244	22,436	22,696	22,988	22,591	23,132	23,456	23,580	23,992	23,540
6	Non-durable goods	11,200	11,276	11,400	11,616	11,373	11,616	11,772	11,852	12,012	11,813
7	Durable goods	2,668	2,732	2,684	2,628	2,678	2,664	2,660	2,608	2,724	2,664
8	Services(1)	8,376	8,428	8,612	8,744	8,540	8,852	9,024	9,120	9,256	9,063
9	Personal net saving	1,156	1,772	1,216	1,284	1,357	1,596	1,372	1,660	1,512	1,535
10	PERSONAL INCOME	25,388	26,180	26,064	26,512	26,036	27,068	27,208	27,588	27,876	27,435
11	(Personal disposable income)(2)	(23,400)	(24,208)	(23,912)	(24,272)	(23,948)	(24,728)	(24,828)	(25,240)	(25,504)	(25,075)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 12. Source of Personal Income, by Quarters, 1959-63 Seasonally Adjusted at Annual Rates
(millions of dollars)

1961					1962					1963					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
18,512	18,816	19,176	19,452	18,989	19,756	20,060	20,336	20,580	20,183	21,032	21,280	21,680	22,208	21,550	1
-784	-784	-796	-784	-787	-796	-808	-820	-820	-811	-820	-840	-844	-848	-838	2
532	544	548	576	550	604	588	584	568	586	556	608	600	628	598	3
972	868	1,068	1,004	978	1,316	1,796	1,396	1,656	1,541	1,544	1,892	1,508	1,656	1,650	4
2,080	2,264	2,356	2,396	2,274	2,364	2,372	2,332	2,348	2,354	2,448	2,416	2,448	2,492	2,451	5
2,920	2,964	3,052	3,160	3,024	3,140	3,208	3,272	3,356	3,244	3,396	3,476	3,488	3,588	3,487	6
3,364	3,372	3,432	3,532	3,425	3,796	3,604	3,608	3,696	3,676	3,860	3,784	3,764	3,908	3,829	7
40	40	40	40	40	44	44	44	44	44	44	44	44	44	44	8
27,636	28,084	28,876	29,376	28,493	30,224	30,864	30,752	31,428	30,817	32,060	32,660	32,688	33,676	32,771	9

TABLE 13. Disposition of Personal Income, by Quarters, 1959-63 Seasonally Adjusted at Annual Rates
(millions of dollars)

1961					1962					1963					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
2,412	2,508	2,568	2,564	2,513	2,640	2,676	2,760	2,804	2,720	2,892	2,748	2,924	3,076	2,910	1
2,044	2,128	2,172	2,180	2,131	2,236	2,276	2,344	2,388	2,311	2,496	2,336	2,500	2,616	2,487	2
144	140	148	144	144	168	160	172	164	166	144	164	176	200	171	3
224	240	248	240	238	236	240	244	252	243	252	248	248	260	252	4
23,832	24,320	24,740	24,912	24,451	25,460	25,544	25,716	26,236	25,739	26,660	26,896	27,396	27,968	27,230	5
11,872	12,196	12,232	12,384	12,171	12,712	12,704	12,868	13,072	12,839	13,216	13,192	13,496	13,612	13,379	6
2,568	2,648	2,880	2,768	2,716	2,936	2,908	2,848	3,028	2,930	3,072	3,164	3,184	3,408	3,207	7
9,392	9,476	9,628	9,760	9,564	9,812	9,932	10,000	10,136	9,970	10,372	10,540	10,716	10,948	10,644	8
1,392	1,256	1,568	1,900	1,529	2,124	2,644	2,276	2,388	2,358	2,508	3,016	2,368	2,632	2,631	9
27,636	28,084	28,876	29,376	28,493	30,224	30,864	30,752	31,428	30,817	32,060	32,660	32,688	33,676	32,771	10
(25,224)	(25,576)	(26,308)	(26,812)	(25,980)	(27,584)	(28,188)	(27,992)	(28,624)	(28,097)	(29,168)	(29,912)	(29,764)	(30,600)	(29,861)	11

TABLE 14. Government Revenue, by Quarters, 1959-63 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1959					1960				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Direct taxes - Persons	1,988	1,972	2,152	2,240	2,088	2,340	2,380	2,348	2,372	2,360
2	Federal	1,672	1,668	1,828	1,912	1,770	1,996	2,036	2,016	2,020	2,017
3	Provincial and municipal	316	304	324	328	318	344	344	332	352	343
4	Direct taxes - Corporations	1,488	1,632	1,576	1,628	1,581	1,620	1,576	1,516	1,464	1,544
5	Federal	1,236	1,356	1,308	1,340	1,310	1,328	1,296	1,240	1,200	1,266
6	(Federal tax collections)	(1,064)	(1,176)	(1,176)	(1,252)	(1,167)	(1,304)	(1,412)	(1,416)	(1,324)	(1,364)
7	Provincial	252	276	268	288	271	292	280	276	264	278
8	(Provincial tax collections)	(240)	(256)	(260)	(276)	(258)	(292)	(304)	(328)	(284)	(302)
	Withholding taxes:										
	Federal(1)	76	64	80	76	74	76	76	80	84	79
10	Indirect taxes	4,288	4,448	4,560	4,560	4,464	4,680	4,740	4,676	4,724	4,705
11	Federal	1,980	2,128	2,180	2,212	2,125	2,184	2,220	2,144	2,172	2,180
12	Provincial and municipal(2)	2,308	2,320	2,380	2,348	2,339	2,496	2,520	2,532	2,552	2,525
13	Investment income	992	976	1,008	1,016	998	1,060	1,044	1,064	1,084	1,063
14	Federal	372	324	352	352	350	396	376	356	400	382
15	Provincial and municipal	620	652	656	664	648	664	668	708	684	681
16	Employer and employee contributions to social insurance and government pension funds	620	628	644	716	652	756	700	772	776	751
17	Federal	396	392	400	468	414	508	440	500	500	487
18	Provincial and municipal	224	236	244	248	238	248	260	272	276	264
	Transfers from Federal:										
19	Provincial and municipal	760	836	968	956	880	984	976	1,004	1,012	994
20	TOTAL REVENUE	10,212	10,556	10,988	11,192	10,737	11,516	11,492	11,460	11,516	11,496
21	FEDERAL	5,732	5,932	6,148	6,360	6,043	6,488	6,444	6,336	6,376	6,411
22	PROVINCIAL and MUNICIPAL	4,480	4,624	4,840	4,832	4,694	5,028	5,048	5,124	5,140	5,085

(1) See footnote 1, Table 5.

(2) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 14. Government Revenue, by Quarters, 1959-63 Seasonally Adjusted at Annual Rates
(millions of dollars)

1961					1962					1963					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
2,412	2,508	2,568	2,564	2,513	2,640	2,676	2,760	2,804	2,720	2,892	2,748	2,924	3,076	2,910	1
2,064	2,124	2,160	2,180	2,132	2,092	2,052	2,092	2,116	2,088	2,192	2,056	2,212	2,312	2,193	2
348	384	408	384	381	548	624	668	688	632	700	692	712	764	717	3
1,440	1,532	1,688	1,740	1,600	1,724	1,696	1,656	1,724	1,700	1,820	1,796	1,756	1,868	1,810	4
1,172	1,252	1,368	1,408	1,300	1,292	1,276	1,236	1,276	1,270	1,364	1,348	1,316	1,384	1,353	5
(1,276)	(1,268)	(1,232)	(1,292)	(1,267)	(1,364)	(1,292)	(1,264)	(1,256)	(1,294)	(1,312)	(1,316)	(1,324)	(1,360)	(1,328)	6
268	280	320	332	300	432	420	420	448	430	456	448	440	484	457	7
(272)	(284)	(288)	(292)	(284)	(332)	(304)	(404)	(404)	(361)	(408)	(416)	(516)	(448)	(447)	8
120	108	120	116	116	104	144	120	132	125	124	120	132	136	128	9
4,808	4,880	4,980	5,192	4,965	5,404	5,524	5,688	5,636	5,563	5,832	5,716	5,908	6,056	5,878	10
2,164	2,164	2,204	2,228	2,190	2,312	2,336	2,524	2,432	2,401	2,420	2,328	2,464	2,588	2,450	11
2,644	2,716	2,776	2,964	2,775	3,092	3,188	3,164	3,204	3,162	3,412	3,388	3,444	3,468	3,428	12
1,072	1,064	1,216	1,184	1,134	1,224	1,216	1,184	1,336	1,240	1,308	1,384	1,356	1,284	1,333	13
384	344	492	416	409	420	440	392	548	450	484	536	548	420	497	14
688	720	724	768	725	804	776	792	788	790	824	848	808	864	836	15
784	784	796	784	787	796	808	820	820	811	820	840	844	848	838	16
512	508	512	508	510	512	516	524	520	518	528	536	536	532	533	17
272	276	284	276	277	284	292	296	300	293	292	304	308	316	305	18
1,016	1,176	1,172	1,148	1,128	1,172	1,016	1,144	1,204	1,134	1,192	1,224	1,092	1,152	1,165	19
11,652	12,052	12,540	12,728	12,243	13,064	13,080	13,372	13,656	13,293	13,988	13,828	14,012	14,420	14,062	20
6,416	6,500	6,856	6,856	6,657	6,732	6,764	6,888	7,024	6,852	7,112	6,924	7,208	7,372	7,154	21
5,236	5,552	5,684	5,872	5,586	6,332	6,316	6,484	6,632	6,441	6,876	6,904	6,804	7,048	6,908	22

TABLE 15. Government Expenditure, by Quarters, 1959-63 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1959					1960				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Goods and services	6,412	6,576	6,440	6,532	6,490	6,664	6,532	6,980	6,900	6,769
2	Federal	2,896	2,936	2,740	2,756	2,832	2,732	2,604	2,796	2,788	2,730
3	(Defence)	(1,636)	(1,584)	(1,504)	(1,512)	(1,559)	(1,556)	(1,484)	(1,584)	(1,560)	(1,546)
4	Provincial and municipal	3,516	3,640	3,700	3,776	3,658	3,932	3,928	4,184	4,112	4,039
5	Transfer payments to persons (excluding interest on the public debt)	2,656	2,836	2,708	2,820	2,755	3,032	2,984	3,200	3,264	3,120
6	Federal	1,816	1,812	1,756	1,780	1,791	1,940	1,876	2,036	2,052	1,976
7	Provincial and municipal	840	1,024	952	1,040	964	1,092	1,108	1,164	1,212	1,144
8	Interest on the public debt	844	952	1,072	984	963	1,068	1,064	1,128	1,120	1,095
9	Federal(2)	580	668	772	692	678	744	736	780	752	753
10	Provincial and municipal	264	284	300	292	285	324	328	348	368	342
11	Subsidies	188	200	204	228	205	224	228	240	248	235
12	Federal	172	184	188	212	189	200	204	212	220	209
13	Provincial	16	16	16	16	16	24	24	28	28	26
	Transfers to other levels of government										
14	Federal	760	836	968	956	880	984	976	1,004	1,012	994
15	Total expenditure	10,860	11,400	11,392	11,520	11,293	11,972	11,784	12,552	12,544	12,213
16	Federal	6,224	6,436	6,424	6,396	6,370	6,600	6,396	6,828	6,824	6,662
17	Provincial and municipal	4,636	4,964	4,968	5,124	4,923	5,372	5,388	5,724	5,720	5,551
18	Deficit (-) or surplus (+)	-648	-844	-404	-328	-556	-456	-292	-1,092	-1,028	-717
19	Federal	-492	-504	-276	-36	-327	-112	48	-492	-448	-251
20	Provincial and municipal	-156	-340	-128	-292	-229	-344	-340	-600	-580	-466
21	TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	10,212	10,556	10,988	11,192	10,737	11,516	11,492	11,460	11,516	11,496
22	FEDERAL	5,732	5,932	6,148	6,360	6,043	6,488	6,444	6,336	6,376	6,411
23	PROVINCIAL AND MUNICIPAL	4,480	4,624	4,840	4,832	4,694	5,028	5,048	5,124	5,140	5,085

(1) In this quarter the federal deficit is irregularly high by about \$300 million and the provincial-municipal deficit correspondingly low as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements.

TABLE 15. Government Expenditure, by Quarters, 1959-63 Seasonally Adjusted at Annual Rates
(millions of dollars)

1961					1962					1963					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
7,152	7,044	7,324	7,516	7,259	7,520	7,924	7,660	7,732	7,709	7,996	8,108	8,152	8,048	8,076	1
2,896	2,924	3,020	3,088	2,982	3,080	3,184	2,952	2,880	3,024	3,000	2,936	2,940	2,832	2,927	2
(1,580)	(1,600)	(1,600)	(1,672)	(1,613)	(1,728)	(1,736)	(1,632)	(1,616)	(1,678)	(1,532)	(1,604)	(1,612)	(1,556)	(1,576)	3
4,256	4,120	4,304	4,428	4,277	4,440	4,740	4,708	4,852	4,685	4,996	5,172	5,212	5,216	5,149	4
3,364	3,372	3,432	3,532	3,425	3,796	3,604	3,608	3,696	3,676	3,860	3,784	3,764	3,908	3,829	5
2,008	2,008	1,984	2,024	2,006	2,312	2,040	2,036	2,060	2,112	2,184	2,092	2,064	2,180	2,130	6
1,356	1,364	1,448	1,508	1,419	1,484	1,564	1,572	1,636	1,564	1,676	1,692	1,700	1,728	1,699	7
1,124	1,168	1,180	1,224	1,174	1,260	1,272	1,352	1,352	1,309	1,380	1,412	1,416	1,448	1,414	8
760	784	784	816	786	832	844	900	884	865	900	940	952	948	935	9
364	384	396	408	388	428	428	452	468	444	480	472	464	500	479	10
204	216	364	232	254	264	268	220	392	286	244	372	296	340	313	11
172	184	332	196	221	236	244	196	364	260	208	336	256	300	275	12
32	32	32	36	33	28	24	24	28	26	36	36	40	40	38	13
1,016	1,176	1,172	1,148	1,128	1,172	1,016	1,144	1,204	1,134	1,192	1,224	1,092	1,152	1,165	14
12,860	12,976	13,472	13,652	13,240	14,012	14,084	13,984	14,376	14,114	14,672	14,900	14,720	14,896	14,797	15
6,852	7,076	7,292	7,272	7,123	7,632	7,328	7,228	7,392	7,395	7,484	7,528	7,304	7,412	7,432	16
6,008	5,900	6,180	6,380	6,117	6,380	6,756	6,756	6,984	6,719	7,188	7,372	7,416	7,484	7,365	17
-1,208	-924	-932	-924	-997	-948	-1,004	-612	-720	-821	-684	-1,072	-708	-476	-735	18
-436	-576	-436	-416	-466	-900(1)	-564	-340	-368	-543	-372	-604	-96	-40	-278	19
-772	-348	-496	-508	-531	-48(1)	-440	-272	-352	-278	-312	-468	-612	-436	-457	20
11,652	12,052	12,540	12,728	12,243	13,064	13,080	13,372	13,656	13,293	13,988	13,828	14,012	14,420	14,062	21
6,416	6,500	6,856	6,856	6,657	6,732	6,764	6,888	7,024	6,852	7,112	6,924	7,208	7,372	7,154	22
5,236	5,552	5,684	5,872	5,586	6,332	6,316	6,484	6,632	6,441	6,876	6,904	6,804	7,048	6,908	23

(2) See footnote 2, Table 6.

TABLE 16. Source of National Saving, by Quarters, 1959-63 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1959					1960				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal net saving	1,156	1,772	1,216	1,284	1,357	1,596	1,372	1,660	1,512	1,535
2	Business gross saving	5,028	5,020	5,356	5,336	5,185	5,580	5,228	5,244	5,024	5,269
3	Undistributed corporation profits	1,012	936	1,024	972	986	1,064	776	800	708	837
4	Capital consumption allowances and miscellaneous valuation adjustments	4,004	4,152	4,316	4,344	4,204	4,492	4,440	4,436	4,324	4,423
5	Adjustment on grain transactions(1) ..	12	-68	16	20	-5	24	12	8	-8	9
6	Inventory valuation adjustment	-112	-212	-64	-100	-122	-148	-184	60	-8	-70
7	Government surplus (+) or deficit (-) ..	-648	-844	-404	-328	-556	-456	-292	-1,092	-1,028	-717
8	Residual error of estimate	-16	32	-56	-80	-30	156	-292	-152	132	-39
9	Totals	5,408	5,768	6,048	6,112	5,834	6,728	5,832	5,720	5,632	5,978

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 17. Disposition of National Saving, by Quarters, 1959-63 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1959					1960				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Business gross fixed capital formation	6,604	6,964	7,044	6,964	6,894	6,988	6,624	6,552	6,604	6,692
2	New residential construction	1,788	1,740	1,688	1,720	1,734	1,592	1,400	1,396	1,384	1,443
3	New non-residential construction	2,500	2,624	2,600	2,632	2,589	2,640	2,544	2,572	2,552	2,577
4	New machinery and equipment	2,316	2,600	2,756	2,612	2,571	2,756	2,680	2,584	2,668	2,672
5	Value of physical change in inventories	284	236	624	284	357	976	348	-56	372	410
6	Surplus (+) or deficit (-) on current account with non-residents	-1,500	-1,396	-1,680	-1,216	-1,448	-1,080	-1,432	-928	-1,216	-1,164
7	Residual error of estimate	20	-36	60	80	31	-156	292	152	-128	40
8	Totals	5,408	5,768	6,048	6,112	5,834	6,728	5,832	5,720	5,632	5,978

TABLE 16. Source of National Saving, by Quarters, 1959-63 Seasonally Adjusted at Annual Rates
(millions of dollars)

1961					1962					1963					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
1,392	1,256	1,568	1,900	1,529	2,124	2,644	2,276	2,388	2,358	2,508	3,016	2,368	2,632	2,631	1
4,904	5,452	5,384	5,580	5,330	5,784	5,224	5,892	5,920	5,705	6,092	5,892	6,264	6,648	6,224	2
380	816	772	932	725	836	732	864	908	835	876	992	944	1,044	964	3
4,508	4,512	4,580	4,696	4,574	4,712	4,848	4,888	5,012	4,865	4,972	5,068	5,116	5,340	5,124	4
16	124	32	-48	31	236	-356	140	-	5	244	-168	204	264	136	5
-32	-52	-168	-112	-91	-168	-172	-184	-8	-133	-112	-300	-176	-148	-184	6
-1,208	-924	-932	-924	-997	-948	-1,004	-612	-720	-821	-684	-1,072	-708	-476	-735	7
76	44	-224	-256	-90	-320	-232	-108	-212	-218	-360	-20	-220	-340	-235	8
5,132	5,776	5,628	6,188	5,681	6,472	6,460	7,264	7,368	6,891	7,444	7,516	7,528	8,316	7,701	9

TABLE 17. Disposition of National Saving, by Quarters, 1959-63 Seasonally Adjusted at Annual Rates
(millions of dollars)

1961					1962					1963					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
6,556	6,536	6,708	6,740	6,635	6,876	6,892	7,004	7,068	6,960	7,128	7,436	7,500	7,916	7,495	1
1,404	1,468	1,500	1,460	1,458	1,540	1,580	1,612	1,576	1,577	1,584	1,676	1,680	1,880	1,705	2
2,612	2,640	2,716	2,764	2,683	2,732	2,644	2,576	2,600	2,638	2,668	2,864	2,812	2,900	2,811	3
2,540	2,428	2,492	2,516	2,494	2,604	2,668	2,816	2,892	2,745	2,876	2,896	3,008	3,136	2,979	4
-252	40	-552	236	-132	264	272	1,012	540	522	464	340	580	452	459	5
-1,096	-752	-748	-1,048	-911	-984	-936	-860	-456	-809	-512	-276	-772	-392	-488	6
-76	-48	220	260	89	316	232	108	216	218	364	16	220	340	235	7
5,132	5,776	5,628	6,188	5,681	6,472	6,460	7,264	7,368	6,891	7,444	7,516	7,528	8,316	7,701	8

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1959-63(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1959					1960				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal expenditure on consumer goods and services	21,448	21,612	21,804	21,980	21,711	22,120	22,324	22,436	22,728	22,402
2	Non-durable goods	10,932	11,020	11,128	11,284	11,091	11,332	11,420	11,508	11,580	11,460
3	Durable goods	2,592	2,648	2,596	2,532	2,592	2,560	2,568	2,536	2,664	2,582
4	Services	7,924	7,944	8,080	8,164	8,028	8,228	8,336	8,392	8,484	8,360
5	Government expenditure on goods and services	6,224	6,324	6,112	6,160	6,205	6,224	6,052	6,456	6,340	6,268
6	Business gross fixed capital formation .	6,360	6,636	6,676	6,576	6,562	6,544	6,168	6,088	6,124	6,231
7	New residential construction	1,708	1,644	1,580	1,600	1,633	1,472	1,284	1,276	1,260	1,323
8	New non-residential construction	2,420	2,512	2,472	2,488	2,473	2,468	2,380	2,392	2,376	2,404
9	New machinery and equipment	2,232	2,480	2,624	2,488	2,456	2,604	2,504	2,420	2,488	2,504
10	Change in inventories	292	228	592	240	338	936	348	-56	360	397
11	Non-farm business inventories	480	260	604	312	414	904	292	-128	232	325
12	Farm inventories and grain in commercial channels	-188	-32	-12	-72	-76	32	56	72	128	72
13	Exports of goods and services	6,276	6,632	6,568	6,964	6,610	7,180	6,624	6,960	6,772	6,884
14	Deduct: Imports of goods and services ..	-7,756	-8,012	-8,248	-8,216	-8,058	-8,276	-8,044	-7,844	-7,916	-8,020
15	Residual error of estimate	20	-36	56	80	30	-148	276	144	-120	38
16	GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	32,864	33,384	33,560	33,784	33,398	34,580	33,748	34,184	34,288	34,200

(1) See footnote 1, Table 9.

TABLE 19. Implicit Price Indexes - Seasonally Adjusted
Gross National Expenditure, (1) 1959-63
(1957 = 100)

No.		1959					1960				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal expenditure on consumer goods and services	103.7	103.8	104.1	104.6	104.1	104.6	105.1	105.1	105.6	105.1
2	Non-durable goods	102.5	102.3	102.4	102.9	102.5	102.5	103.1	103.0	103.7	103.1
3	Durable goods	102.9	103.2	103.4	103.8	103.3	104.1	103.6	102.8	102.3	103.2
4	Services	105.7	106.1	106.6	107.1	106.4	107.6	108.3	108.7	109.1	108.4
5	Government expenditure on goods and services	103.0	104.0	105.4	106.0	104.6	107.1	107.9	108.1	108.8	108.0
6	Business gross fixed capital formation .	103.8	104.9	105.5	105.9	105.1	106.8	107.4	107.6	107.8	107.4
7	New residential construction	104.7	105.8	106.8	107.5	106.2	108.2	109.0	109.4	109.8	109.1
8	New non-residential construction	103.3	104.5	105.2	105.8	104.7	107.0	106.9	107.5	107.4	107.2
9	New machinery and equipment	103.8	104.8	105.0	105.0	104.7	105.8	107.0	106.8	107.2	106.7
10	Exports of goods and services	101.1	100.8	101.0	101.4	101.1	101.3	102.1	102.0	101.9	101.8
11	Imports of goods and services	101.1	100.9	100.8	100.8	100.9	101.0	101.8	102.3	102.5	101.9
12	GROSS NATIONAL EXPENDITURE	103.7	104.2	104.8	105.5	104.5	105.6	106.1	106.1	106.5	106.1

(1) These implicit indexes are currently weighted price indexes. They reflect not only pure price changes, but also changing expenditure patterns within and between major groups. Quarter to quarter comparisons based on the seasonally adjusted data are less subject to the problem of shifting weights than are similar comparisons based on data unadjusted for seasonality, and therefore may be used as indicators of price change.

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1959-63(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

1961					1962					1963					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
22,536	23,004	23,360	23,480	23,095	23,900	23,848	23,900	24,324	23,993	24,636	24,792	25,084	25,552	25,016	1
11,432	11,760	11,768	11,912	11,718	12,180	12,104	12,208	12,336	12,207	12,440	12,388	12,552	12,616	12,499	2
2,524	2,608	2,860	2,752	2,686	2,916	2,892	2,808	3,000	2,904	3,036	3,128	3,136	3,368	3,167	3
8,580	8,636	8,732	8,816	8,691	8,804	8,852	8,884	8,988	8,882	9,160	9,276	9,396	9,568	9,350	4
6,576	6,404	6,612	6,732	6,581	6,644	6,948	6,640	6,628	6,715	6,736	6,784	6,728	6,560	6,702	5
6,064	6,040	6,192	6,200	6,124	6,252	6,216	6,288	6,304	6,265	6,316	6,564	6,564	6,840	6,571	6
1,280	1,340	1,364	1,328	1,328	1,380	1,404	1,420	1,380	1,396	1,380	1,448	1,444	1,564	1,459	7
2,428	2,448	2,532	2,564	2,493	2,504	2,408	2,344	2,344	2,400	2,380	2,540	2,484	2,536	2,485	8
2,356	2,252	2,296	2,308	2,303	2,368	2,404	2,524	2,580	2,469	2,556	2,576	2,636	2,740	2,627	9
-280	48	-556	256	-133	264	308	968	440	495	420	312	576	416	431	10
100	444	-120	668	273	48	260	680	132	280	72	-52	264	348	158	11
-380	-396	-436	-412	-406	216	48	288	308	215	348	364	312	68	273	12
7,148	7,296	7,572	7,592	7,402	7,588	7,752	7,720	7,888	7,737	7,940	8,384	8,388	8,944	8,414	13
-8,104	-7,928	-8,116	-8,392	-8,135	-8,272	-8,380	-8,280	-8,064	-8,249	-8,136	-8,284	-8,640	-8,836	-8,474	14
-72	-44	208	240	83	292	216	100	200	202	332	16	200	304	213	15
33,868	34,820	35,272	36,108	35,017	36,668	36,908	37,336	37,720	37,158	38,244	38,568	38,900	39,780	38,873	16

TABLE 19. Implicit Price Indexes - Seasonally Adjusted
Gross National Expenditure, (1) 1959-63
(1957 = 100)

1961					1962					1963					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
105.8	105.7	105.9	106.1	105.9	106.5	107.1	107.6	107.9	107.3	108.2	108.5	109.2	109.5	108.9	1
103.8	103.7	103.9	104.0	103.9	104.4	105.0	105.4	106.0	105.2	106.2	106.5	107.5	107.9	107.0	2
101.7	101.5	100.7	100.6	101.1	100.7	100.6	101.4	100.9	100.9	101.2	101.2	101.5	101.2	101.3	3
109.5	109.7	110.3	110.7	110.0	111.4	112.2	112.6	112.8	112.2	113.2	113.6	114.0	114.4	113.8	4
108.8	110.0	110.8	111.6	110.3	113.2	114.0	115.4	116.7	114.8	118.7	119.5	121.2	122.7	120.5	5
108.1	108.2	108.3	108.7	108.3	110.0	110.9	111.4	112.1	111.1	112.9	113.3	114.3	115.7	114.1	6
109.7	109.6	109.6	110.1	109.8	111.6	112.5	113.5	114.2	113.0	114.8	115.7	116.3	120.2	116.9	7
107.6	107.8	107.3	107.8	107.6	109.1	109.8	109.9	110.9	109.9	112.1	112.8	113.2	114.4	113.1	8
107.8	107.8	108.5	109.0	108.3	110.0	111.0	111.6	112.1	111.2	112.5	112.4	114.1	114.5	113.4	9
102.1	102.0	103.7	104.5	103.1	105.1	106.4	106.7	106.9	106.3	107.7	107.1	107.7	107.9	107.6	10
103.6	103.3	106.0	107.1	105.0	108.3	109.6	109.9	110.2	109.5	111.4	111.7	113.5	113.7	112.6	11
106.6	106.7	106.9	106.9	106.8	107.6	108.2	108.8	109.6	108.6	110.1	110.2	110.7	111.4	110.6	12

ANNUAL TABLES

TABLE 20. Business Gross Fixed Capital Formation, by Industry, 1959-63(1)
(millions of dollars)

	1959	1960	1961	1962	1963
1. Agriculture	539	550	576	663	744
2. Fishing and trapping					
3. Forestry					
4. Mining, quarrying, and oil wells	342	400	449	480	503
5. Manufacturing	1,144	1,178	1,085	1,269	1,347
6. Construction	145	130	136	109	116
7. Transportation	746	704	645	490	586
8. Storage					
9. Communication(2)					
10. Electric power, gas and water utilities ...	766	688	710	723	792
11. Trade	363	381	307	319	312
12. Finance, insurance and real estate(3)	2,001	1,722	1,770	1,875	1,961
13. Services(4)	475	508	570	596	637
14. Totals	6,894	6,692	6,635	6,960	7,495

(1) This table is derived from "Private and Public Investment in Canada", publications. Additional detail has been provided by the DBS Business Finance Division, and adjustments have been made to bring the data into line with National Accounting concepts. See reconciliation statement, Table 21. For an industrial distribution of total private and public investment, see Table 1 in the aforementioned publications.

(2) Excludes investment expenditures by the Canadian Broadcasting Corporation, which are included in "Government Expenditure on Goods and Services".

(3) Includes all new residential construction, (exclusive of government other than government business enterprise). See Table 2.

(4) Excludes government departmental expenditures, federal hospital, provincial hospital and school, and municipal school expenditures, which are included with "Government Expenditure on Goods and Services". Investment expenditure of government business enterprises (railway, power commissions, etc.), are included under appropriate industry headings.

TABLE 21. Business Gross Fixed Capital Formation, 1959-63
Reconciliation Statement
(millions of dollars)

	1959	1960	1961	1962	1963
1. Total private and public investment in Canada(1)	8,417	8,262	8,172	8,715	9,312
2. Deduct - New residential construction by governments(2)	-18	-13	-9	-10	-8
3. New non-residential construction by governments	-1,368	-1,420	-1,368	-1,562	-1,625
4. New machinery and equipment outlays by governments	-137	-137	-160	-183	-184
5. Business gross fixed capital formation	6,894	6,692	6,635	6,960	7,495

(1) As presented in the publications "Private and Public Investment in Canada".

(2) Excludes residential construction under Veterans' Land Act, construction of veterans' rental housing by Central Mortgage and Housing Corporation, and joint federal-provincial housing (Section 36, National Housing Act) which are included under line 5.

TABLE 22. Exports and Imports of Goods and Services, 1959-63(1)
Reconciliation Statement
(millions of dollars)

	1959	1960	1961	1962	1963
<u>Exports of goods and services:</u>					
1. Merchandise exports	5,150	5,392	5,889	6,364	7,064
2. Gold production available for export	148	162	162	165	166
3. Interest and dividends received from non-residents	182	173	209	211	228
4. Other receipts from services rendered to non-residents	1,312	1,383	1,474	1,608	1,745
5. Sub-total - "Current receipts" as per Canadian Balance of International Payments	6,792	7,110	7,734	8,348	9,203
6. Inheritances and immigrants' funds	-109	-102	-103	-124	-149
7. Total "exports of goods and services" as per National Accounts(2)	6,683	7,008	7,631	8,224	9,054
<u>Imports of goods and services:</u>					
8. Merchandise imports	5,572	5,540	5,716	6,209	6,580
9. Interest and dividends paid to non-residents .	671	653	770	781	842
10. Other payments for services rendered to non-residents	2,053	2,160	2,230	2,206	2,302
11. Sub-total - "Current payments" as per Canadian Balance of International Payments	8,296	8,353	8,716	9,196	9,724
12. Inheritances and emigrants' funds	-165	-181	-174	-163	-182
13. Total "imports of goods and services" as per National Accounts(2)	8,131	8,172	8,542	9,033	9,542

(1) Data sources are the reports "Canadian Balance of International Payments" (Balance of Payments Section, Dominion Bureau of Statistics), and other information received from the Balance of Payments Section. Figures exclude mutual aid to N.A.T.O. countries.

(2) See also Table 2.

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(QUARTERLY)



Canada. Statistics, Bureau of

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INCOME AND EXPENDITURE .

(FIRST QUARTER 1964)

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In order to obtain a complete historical record of the quarterly National Accounts, the following publications should be consulted:

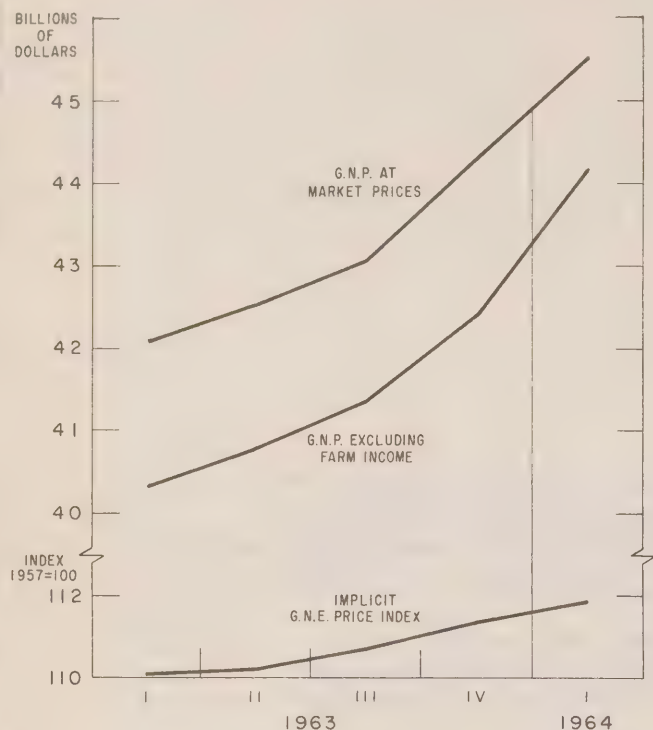
"National Accounts, Income and Expenditure, by Quarters, 1947-61", for the years 1947-58.

"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1963", for the years 1959-62.

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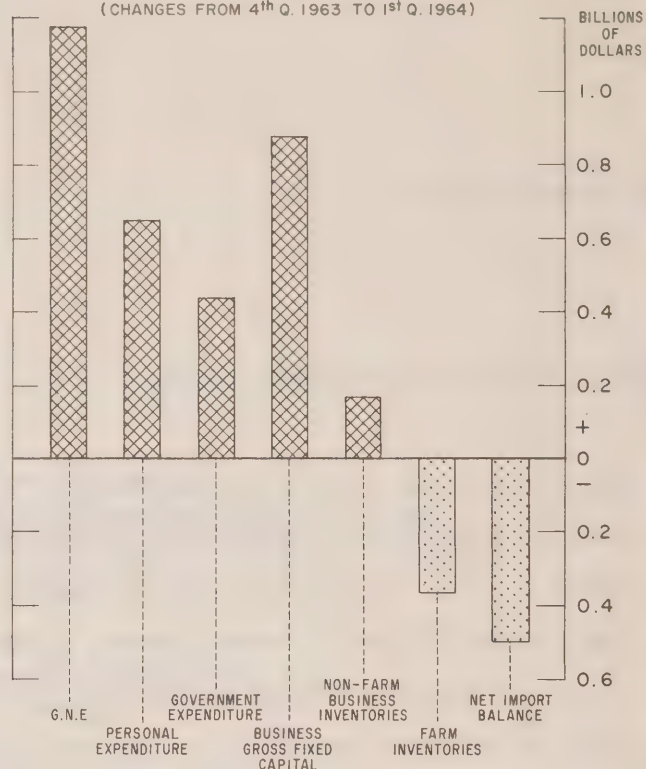
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G.N.P. REGISTERED A SIGNIFICANT GAIN IN THE FIRST QUARTER

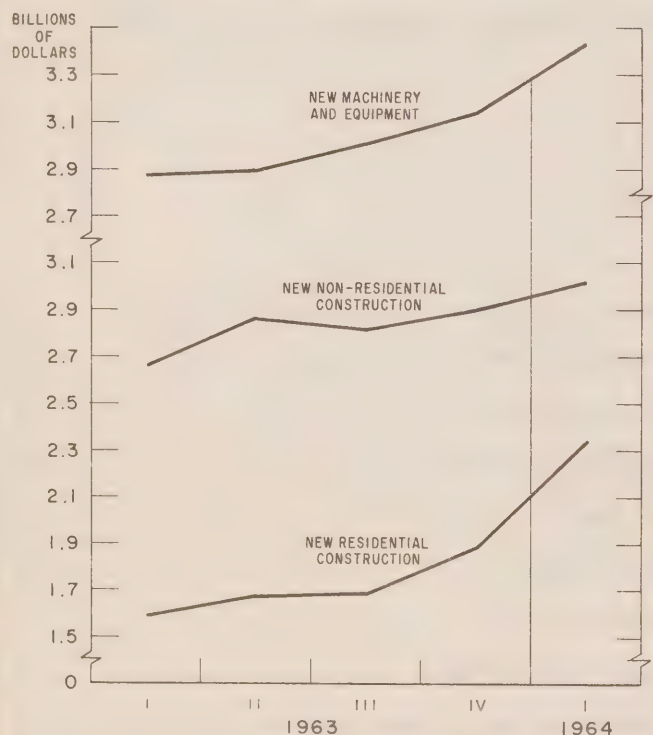


THE MOMENTUM FOR CONTINUED EXPANSION CAME MAINLY FROM CAPITAL OUTLAYS AND PERSONAL EXPENDITURE

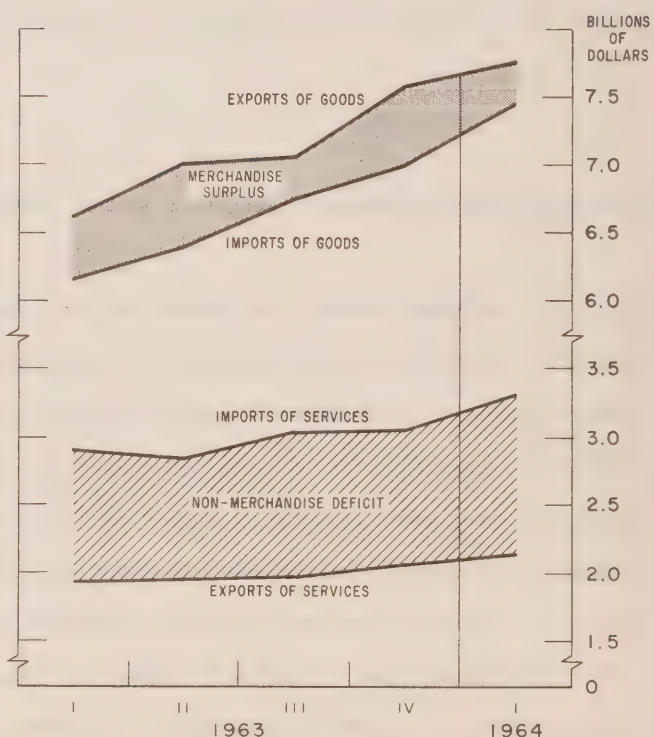
(CHANGES FROM 4th Q. 1963 TO 1st Q. 1964)



INVESTMENT IN NEW HOUSING WAS AT AN UNPRECEDENTED LEVEL



THE NET IMPORT BALANCE ROSE APPRECIABLY AS IMPORTS RESPONDED TO THE HIGH LEVEL OF DOMESTIC DEMAND



ALL DATA IN THE ABOVE CHARTS ARE SEASONALLY ADJUSTED AT ANNUAL RATES.

INTRODUCTORY REVIEW

Economic activity continued to advance in the first quarter of 1964 when Gross National Product reached \$45.5 billion, at seasonally adjusted annual rates, nearly 3 per cent higher than in the preceding period. Gross National Product excluding accrued net farm income showed a more rapid pace of expansion of over 4 per cent.^{1/} For Gross National Product as a whole prices were up slightly but the major part of the gain represents an increment to the nation's production.

The gain in non-farm Gross National Product is the twelfth successive quarterly increase and much the largest recorded during the course of the current expansion. The main impetus to the advance came from fixed investment, which in turn obtained part of its momentum from two special factors: the federal government's programme of winter house-building incentives, and anticipatory spending in advance of the scheduled April 1st rise in sales taxes on certain classes of investment goods. House-building made a particularly important contribution to total investment outlays, reflecting the large carryover of uncompleted houses and the high rate of housing starts in January and February of this year; the value of residential construction put in place in the first quarter was about 25 per cent higher than in the preceding period. At the same time outlays for plant and equipment rose significantly. The expansionary influences emanating from the investment sector were strongly reinforced by the consumer sector where the first quarter gain was the largest since the first quarter of 1959. However, consumer spending did not rise as much as income available for spending. Forward impetus to the economy also came from government outlays, particularly at the Federal level. The external sector did not demonstrate the exceptional strength apparent in the preceding period. Exports of goods and services were moderately higher but rising domestic demand led to a substantial advance in imports, thereby sharply increasing the deficit on current international account.

Total final purchases rose about \$2 billion compared with a gain of about \$1.5 billion in the preceding quarter. In addition, stocks were built up to support rising levels of production and sales. The rate of build-up in the first quarter was moderate, although considerably higher than in the preceding period. Thus, recent developments were shaped in the main by the expansion of final domestic demand, public as well as private, rather than by sales abroad or the building up of inventories.

Turning to consider expansion as reflected in income flows in the first quarter, the salient developments are a further large advance in labour income, particularly in the cyclically sensitive goods-producing industries, another major increase in corporate profits and varying rates of increase in other elements of non-farm income. The estimate of income from farm production reflects the assumption with respect to the crop mentioned earlier.

The Components of Demand

Consumer Expenditure

Consumer expenditure on goods and services during the first quarter rose by \$652 millions over the fourth quarter 1963, reaching a total of \$28.6 billions seasonally adjusted at annual rates. This gain of 2½ per cent is the largest quarterly increment since the first quarter of 1959 although some element of this may be attributable to the early Easter. With little change in prices at the aggregate level, there was a roughly corresponding rise in real consumption.

^{1/} Gross National Product, the overall measure, assumes an average crop in 1964 in contrast to the record crop harvested last year; this assumption in itself accounts for a \$300 million drop in the value of crop production. The estimates are based on acreage intentions and ten-year average yields. Seasonally adjusted quarterly data are obtained for the crop by dividing the annual crop estimate by four.

Quarter to Quarter Changes in Final Purchases
(Seasonally Adjusted at Annual Rates)
(millions of dollars)

	3Q'60 to 4Q'60	4Q'60 to 1Q'61	1Q'61 to 2Q'61	2Q'61 to 3Q'61	3Q'61 to 4Q'61	4Q'61 to 1Q'62	1Q'62 to 2Q'62	2Q'62 to 3Q'62	3Q'62 to 4Q'62	4Q'62 to 1Q'63	1Q'63 to 2Q'63	2Q'63 to 3Q'63	3Q'63 to 4Q'63	4Q'63 to 1Q'64
1. Personal expenditure	412	- 160	488	420	172	548	84	172	520	424	236	500	572	652
2. Government expenditure	- 80	252	- 108	280	192	4	404	- 264	72	264	112	44	- 104	440
3. Residential construction	- 12	20	64	32	- 40	80	40	32	- 36	8	92	4	200	460
4. Non-residential construction	- 20	60	28	76	48	- 32	- 88	- 68	24	68	196	- 52	88	124
5. Machinery and equipment	84	- 128	- 112	64	24	88	64	148	76	- 16	20	112	128	296
6. Exports of goods and services	- 196	396	144	412	84	40	272	- 8	192	120	428	52	620	252
7. Total final purchases	188	440	504	1,284	480	728	776	12	848	868	1,084	660	1,504	2,224
8. (Final domestic demand)	384	44	360	872	396	688	504	20	656	748	656	608	884	1,972

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in non-farm business inventories	376	- 140	340	- 556	820	- 644	228	424	- 552	- 80	- 136	324	120	172
10. Imports of goods and services	92	276	- 200	408	384	- 24	224	- 84	- 212	176	192	548	240	748
11. G.N.P. (ex. farm)	192	- 148	1,020	444	1,068	240	588	616	576	632	484	568	1,008	1,780

Constant (1957) Dollars

Quarter to Quarter Percentage Changes in Selected Items

12. Final domestic demand	0.6	-	0.8	2.0	0.7	1.1	0.6	- 0.5	1.2	1.2	1.2	0.6	1.5	4.1
13. Total final purchases	0.1	0.6	1.0	2.3	0.6	0.9	0.9	- 0.5	1.3	1.1	2.0	0.5	2.4	3.7
14. Gross national expenditure ..	0.3	- 1.2	2.8	1.3	2.4	1.6	0.7	1.2	1.0	1.4	0.8	0.9	2.3	2.2

Personal spending on goods increased by 2 per cent with outlays on durables showing a relatively larger gain. Within durable goods, two-fifths of the gain came from increased purchases of new and used cars which rose by $3\frac{1}{2}$ per cent. Much of the impetus came from transactions in used cars as new car purchases rose only moderately. Purchases of other durable items also increased substantially, particularly furniture, 6 per cent, and appliances and radios, more than 7 per cent, reflecting in part the level of housing completions in the first quarter.

Sales of non-durable goods showed an increase of more than $1\frac{1}{2}$ per cent, which is slightly above the average quarterly rate of growth of the past few years. The chief areas of growth were food and clothing, both of which increased by about 2 per cent, and alcoholic beverages which rose by more than $7\frac{1}{2}$ per cent. The sharp rise in purchases of alcoholic beverages may, in part, reflect anticipatory buying by consumers after it was announced that prices were to be increased.

Changes in other components of this category, some showing marginal increases and others declining, were offsetting. There was a significant decline in tobacco sales.

The demand for services rose by almost 3 per cent, the strongest gain in this component since the first quarter of 1959. Rapidly increasing expenditures on purchased transportation and personal services were the principal contributing factors in the buoyant demand for services. The $4\frac{1}{2}$ per cent increase in purchased transportation reflects, in the main, rising revenues of urban and inter-urban transit systems, in part attributable to increases in fares.

In addition, net consumer expenditure abroad, - the difference between expenditures of Canadian tourists in foreign countries and those of foreign tourists in Canada - exceeded \$30 millions compared with \$12 millions in the preceding quarter, and also contributed noticeably to the growth in the services component. Most other services showed more moderate gains.

Business Gross Fixed Capital Formation

Spending on fixed capital, including housing, provided the major impetus to production in the first quarter and the rise of 11 per cent carried total capital expenditures to an annual rate of \$8.8 billion after discounting seasonal factors. Just over one half of the increase was attributable to the exceptional strength in residential construction, although the value of both non-residential construction and machinery and equipment investment was significantly higher. The demand for business fixed capital absorbed 19 per cent of GNP compared with 17 per cent in the first quarter of 1963.

The annual rate of housing completions rose to an unsurpassed level of 215.8 thousand in the first quarter as the final qualifying date for the government's winter house-building incentive bonus was approached. The highest previous figure 173.0 thousand was in the second quarter of 1958. The number of housing starts in the first quarter remained at a very high annual rate of 181.0 thousand, after allowance for seasonal factors, although a sharp reduction was apparent in March and April in the centres of population of over 5,000. Direct lending by C.M.H.C. for new housing and lower down-payments for housing combined with the winter house-building incentive programme to raise the level of investment in new housing almost 25 per cent, to \$2,340 million seasonally adjusted at annual rates.

The first quarter estimate of the value of non-residential construction exhibited more strength than the previous two quarters and at an annual rate of \$3,024 million seasonally adjusted was 4 per cent above the final quarter of last year. The strength in this component and particularly in housing was partly reflected in the buoyant level of production in some of the building materials industries and also in employment in the construction industry. As noted below, however, some increase in production may have been generated by a demand for inventory accumulation purposes in the construction industry in order to avoid anticipated price increases due to the tax rise in April.

Estimates of expenditure on machinery and equipment totalled \$3,432 million at seasonally adjusted annual rates, a sharp 9 per cent gain over the previous quarter. Sales of motor vehicles to business rose, and a sharp increase in the level of imported machinery and equipment is anticipated in line with the general rise in merchandise imports. Detailed import statistics for the quarter are not yet available and this element of the estimate must be regarded as subject to rather more than normal revision.

Non-farm Business Inventories

Non-farm business inventories continued to increase at an accelerated rate. After allowance is made for seasonal variation, the inventory build-up was \$556 million at annual rates compared with a build-up of \$384 million in the previous quarter. The greater part of this restocking was in retail trade, and the remainder of the increase was fairly evenly distributed among the other industry groups.

Manufacturing stocks continued to increase but at a reduced rate when compared with the previous quarter, as there was further accumulation of non-durables and depletion of durables. The stock-to-shipments ratio advanced slightly. By stage of manufacture, stocks of raw materials and goods in process rose, while stocks of finished goods declined. Unfilled orders remained at the same level as in the previous quarter while new orders increased, although at less than half the previous rate.

Among wholesale trades, the stock increase in durables offset the liquidation in non-durables. The stock-to-sales ratio declined.

A substantial and general restocking occurred in retail trades. Almost half of this accumulation was due to the larger holdings of new cars, as production was running ahead of high sales.

With the increased activity in the construction industry and the expected increase in tax on building materials in April, considerable stock accumulation was indicated in this industry in the first quarter.

Exports and Imports of Goods and Services

Rapidly rising domestic demand and some special transactions in the external account in the first quarter combined to raise the import balance on current account to a seasonally adjusted annual rate of \$888 million from \$392 million in the previous quarter. The increase resulted mainly from the sharp step-up in payments for both goods and services from abroad. Imports of goods and services climbed about 7 per cent to an annual rate of \$10,792 million after seasonal adjustment, while exports of goods and services rose 2½ per cent to an annual rate of \$9,904 million.

The export balance from merchandise trade dropped to \$308 million from \$596 million at annual rates after allowance for normal seasonal factors. Merchandise exports, adjusted for balance of payments and national accounts purposes, rose 2½ per cent to an annual rate of \$7,776 million, while merchandise imports in partial response to a doubling in the rate of increase in final domestic demand rose over 6½ per cent in the first quarter to an annual rate of \$7,468 million.

The decline in the surplus on trade is greater than might have been anticipated on the basis of published Trade of Canada statistics because of the adjustments for balance of payments and national accounts purposes. These adjustments reflected higher imports on account of progress payments made for capital equipment being purchased abroad, while the rise in exports was dampened by an unusually large adjustment to wheat export values to reflect the timing of shipments more precisely, as well as by an adjustment in export values of military aircraft for which receipts had been credited in earlier periods. The net effect of these adjustments contributed substantially to the reduced surplus in trade.

Changes in both imports and exports in goods were attributable in large measure to trade with the United States. Increased sales abroad were recorded for most of the metals, newsprint, crude petroleum, non-farm machinery, asbestos and fish. Commodity detail is not available to identify components of the increase in merchandise imports but in view of the general nature of the expansion in the current quarter the increases are likely to be widespread.

The deficit on non-merchandise trade rose to an annual rate of \$1,196 million, after discounting seasonal influences, from \$988 million in the fourth quarter. Receipts rose by 3½ per cent to an annual rate of \$2,128 million and payments by 9 per cent to \$3,324 million. Almost half the increase in the deficit arose on the travel account where spending by Canadians abroad, partially as a result of the early Easter, rose considerably faster than receipts from foreign tourists and other travellers. The other major factors in the widened deficit were significantly higher payments for miscellaneous services and the reduction in gold production available for export. Both payments and receipts on income account were higher, in line with the general increases in corporation profits experienced in both Canada and the U.S. in the first quarter. Receipts from freight and shipping services provided by Canada were higher in the quarter.

Income Flows

Labour Income

Seasonally-adjusted estimates of both total labour income and wages and salaries for the first quarter of 1964 were nearly 3 per cent higher than the corresponding figures for the fourth quarter of 1963. Labour input appears to have been more important than labour prices in raising the level of this component.

The pattern which emerged in the fourth quarter 1963 continued in the first quarter of this year with the goods-producing industries showing larger quarter-to-quarter increases in wages and salaries than the service-producing industries. Thus, wages and salaries in the goods-producing industries increased 4 per cent compared with an increase of 2 per cent in the service-producing industries.

In the goods-producing industries, construction with an advance of 8 per cent showed the highest quarter-to-quarter gain. The rise in manufacturing was 3 per cent. Primary industries showed an increase of 2½ per cent.

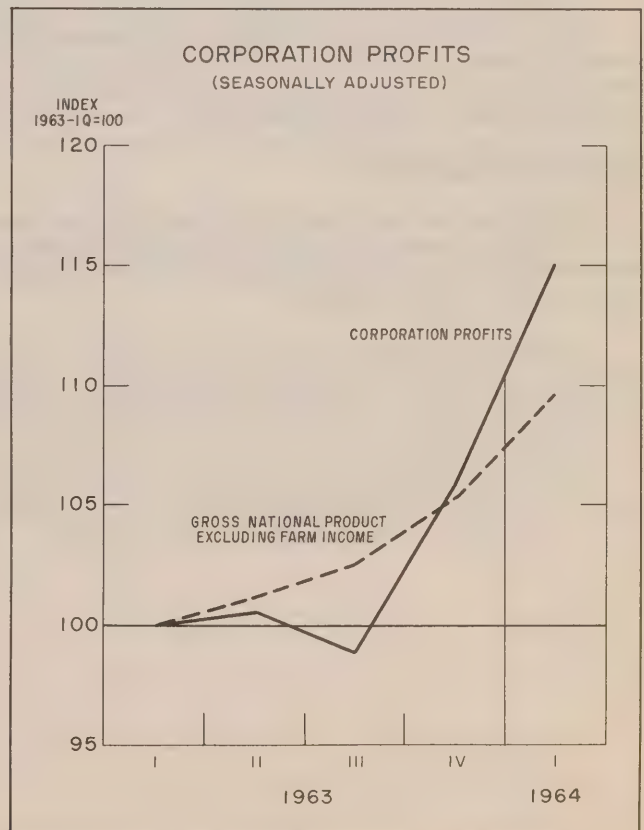
In the service-producing industries, only finance and service income rose significantly -- 3½ per cent, while income in government service was little changed. Modest increases occurred in the other groups.

Corporation Profits and Other Investment Income

Following a sharp pickup in the fourth quarter of 1963, corporation profits (before taxes and before dividends paid to non-residents) continued to rise significantly in the first quarter of 1964, increasing about 9 per cent. Profits reached a seasonally adjusted annual rate of \$4.5 billion.

Almost all major industry groups contributed to the increase. Manufacturing and wholesale trade showed the largest gains reflecting considerable strength in metal products (including transportation equipment) and building materials.

The following table shows percentage changes by industry.



Percentage Changes in Corporation Profits
(seasonally adjusted)

	4Q 1963 to 1Q 1964
Mines, Quarries and Oil Wells	4.5
Manufacturing Industries	11.4
Transportation	5.8
Storage	
Communication	
Electric Power, Gas and Water Utilities	12.5
Wholesale Trade	14.9
Retail Trade	-
Finance, Insurance and Real Estate	1.6
Service Industries	18.2
Other Non-Manufacturing	18.2
Total, All Industries	8.8

Rent, interest and miscellaneous investment income rose by about 7 per cent in the first quarter, after discounting for seasonal variation, mainly as a result of a rise in the trading profits of government owned corporations. Higher dividend receipts accounted for a 2 per cent rise in interest, dividend and net rental income.

Unincorporated Business

Net income of non-farm unincorporated business increased nearly 2 per cent, seasonally adjusted, in the first quarter of 1964. The highest increases, ranging from 6 to 8 per cent, were reported for construction, finance, wholesale trade and manufacturing, while decreases were recorded in net income from forestry and trapping.

Accrued net income of farm operators from farm production declined over 30 per cent, seasonally adjusted, in the first quarter of 1964. The preliminary estimate of the 1964 crop, which is based on acreage intentions, ten-year average yields and average prices, is 22 per cent smaller than the 1963 value of production.

Seasonally adjusted net income of farm operators from farming operations increased due to large payments made to farmers by the Canadian Wheat Board. Payments were the largest on record.

The Government Sector

Seasonally adjusted at annual rates, the deficit of all levels of government combined fell from \$476 million in the preceding period to \$240 million in the first quarter of 1964. The declining trend in the deficit since the second quarter of 1963 reflects the expansion in activity in the economy. Combined revenue at \$15,276 million in the first quarter of 1964 increased 6 per cent over the previous quarter while expenditure increased 4 per cent. With the exception of a minor decline in withholding taxes, all components of federal revenue showed increases in the period under review. At the provincial-municipal level, all components rose other than employer and employee contributions to social insurance and government pension funds, which were lower than in the fourth quarter of 1963. Outlays by the federal government were up 5½ per cent, while those of the provincial-municipal governments were up by 3 per cent. The federal surplus of \$76 million seasonally adjusted at annual rates in the first quarter was the first since the second quarter of 1960, when it amounted to \$48 million. The provincial-municipal deficit of \$316 million was considerably less than the \$436 million in the fourth quarter of 1963.

Personal direct taxes of \$3,188 million showed increases at all levels in the first quarter, seasonally adjusted at annual rates. Reflecting the sustained improvement in the employment position and rising incomes, total revenue from federal and provincial personal income taxes was 6 per cent higher than in the fourth quarter of the previous year. There was an increase from 17 per cent to 18 per cent, effective January 1, 1964, in the abatement of the income tax in favour of the provinces under the terms of the federal-provincial fiscal arrangements which tended to reduce federal revenue and this was counter-balanced to some degree by the increase from 3 per cent to 4 per cent (to a maximum of \$120 per taxpayer) in the levy on personal income on behalf of the Old Age Security Fund. (This latter amendment was to cover the additional cost expected from the higher monthly pensions commencing in October 1963). Federal income tax in the first quarter was at \$2,324 million -- seasonally adjusted at annual rates. Provincial-municipal direct taxes at \$776 million rose less than 2 per cent from the fourth quarter of 1963, reflecting an increase in income taxes which was partially offset by a decline in succession duties.

Total indirect taxes in the first quarter of 1964 at \$6,376 million were up by 5 per cent over the preceding quarter. Increases were mainly the result of higher revenues from excise taxes and customs import duties at the federal level and from gasoline taxes, sales taxes, motor vehicle licenses and real property taxes at the provincial-municipal level.

Expenditure of \$8,488 million on goods and services by all levels of government, seasonally adjusted at annual rates, was up 5½ per cent in the first quarter, with federal outlays showing about a 13 per cent advance and those of the provincial-municipal governments rising by less than 2 per cent.

There was a gain of 5 per cent over the fourth quarter of 1963 in the total of transfer payments to persons (excluding interest on the public debt). The main increases were at the provincial-municipal level where a rise of 7 per cent was largely the result of larger provincial grants to hospitals.

Production by Industry

Real Domestic Product at factor cost less agriculture (seasonally adjusted) increased just over 3 per cent in the first quarter. Non-agricultural output has thus risen over 8 per cent since the first quarter of 1963, and 21 per cent since the cyclical low point in the first quarter of 1961,^{1/}

^{1/} For a more detailed discussion, see the annual supplement to the March 1964 issue of DBS publication 61-005, Index of Industrial Production. For data for the first quarter 1964, see the April 1964 issue of the above publication.

with manufacturing accounting for over 35 per cent of the increase, followed by trade and transportation, storage and communication.

Gains in output were widespread in the first quarter of 1964, ranging from fractional increases in electric power and gas utilities to an almost 15 per cent gain in non-metallic mineral products. There were only a few declines, such as the 4 per cent drop in tobacco products and the $1\frac{1}{2}$ per cent decrease in leather products in manufacturing. In many instances the strong upward movements evident in the fourth quarter of 1963 were continued. Most notable was the 9 per cent increase in construction activity, which accounted for about one-fifth of the gain in non-agricultural production. In addition, the increase in the sales of building materials, possibly in anticipation of higher taxes on construction materials as of April, appeared to be another force behind the considerable gains in the output of many construction-oriented industries during this period.

Manufacturing, with a $3\frac{1}{2}$ per cent increase in output, continued to be the largest single contributor to the aggregate gain, accounting for over 30 per cent of the total advance. For the second quarter in succession, durable manufacturing showed a large gain (5 versus 6 per cent). Increases of between 3 and $5\frac{1}{2}$ per cent were recorded by all major groups except electrical apparatus and supplies (+ 1 per cent) and non-metallic mineral products (+ 15 per cent). The latter group advanced largely because of exceptional gains in the cement and concrete products industries. Motor vehicle production continued at high levels, rising $4\frac{1}{2}$ per cent in the first quarter. Non-durable manufacturing advanced by $2\frac{1}{2}$ per cent, thus accounting for about one third of the increase in manufacturing. Most of this strength came from the 5 per cent increase in the foods and beverages component.

Trade was the second largest contributor to the expansion in non-agricultural output during the first quarter, accounting for 20 per cent of the total gain, as did construction and durable manufacturing. More than half of the increase in trade came from the wholesale component which increased about 6 per cent. Retail trade again rose 3 per cent. At both retail and wholesale levels particularly sharp increases took place in sales of lumber, building and construction materials, and industrial and transportation equipment. Together they accounted for the major part of the total expansion in trade.

Transportation, storage and communication expanded less rapidly than during the fourth quarter, with railway transport, shipping and communication accounting for more than three-quarters of the $2\frac{1}{2}$ per cent increase in this group.

Mining showed a strong advance of almost 6 per cent in the first quarter following a $5\frac{1}{2}$ per cent increase in the fourth quarter of 1963. During most of 1962 and 1963 the increases had been minor. Most of the first quarter increase in mining came from the metal mining component which advanced $10\frac{1}{2}$ per cent.

Public administration and defence increased by half of one per cent, following a pause in the fourth quarter, while finance, insurance and real estate and the community, recreation, business and personal service group exhibited a slight slowdown in their rates of advance, compared with the fourth quarter.

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964
	I	II	III	IV	Year	I
1. Wages, salaries, and supplementary labour income ...	5,058	5,359	5,567	5,566	21,550	5,482
2. Military pay and allowances	136	157	148	157	598	140
3. Corporation profits before taxes	788	1,068	998	1,066	3,920	917
4. Deduct: Dividends paid to non-residents(1)	- 145	- 118	- 121	- 209	- 593	- 172
5. Rent, interest, and miscellaneous investment income	709	736	762	818	3,025	798
6. Accrued net income of farm operators from farm production(2)	60	147	1,384	195	1,786	33
7. Net income of non-farm unincorporated business(3) ..	514	614	594	729	2,451	533
8. Inventory valuation adjustment(4)	- 28	- 75	- 44	- 37	- 184	- 43
9. NET NATIONAL INCOME AT FACTOR COST	7,092	7,888	9,288	8,285	32,553	7,688
10. Indirect taxes less subsidies	1,359	1,338	1,412	1,456	5,565	1,484
11. Capital consumption allowances and miscellaneous valuation adjustments	1,196	1,281	1,277	1,370	5,124	1,338
12. Residual error of estimate	- 157	- 155	59	18	- 235	- 112
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	9,490	10,352	12,036	11,129	43,007	10,398
14. (Gross national product at market prices excluding accrued net income of farm operators)	(9,430)	(10,205)	(10,652)	(10,934)	(41,221)	(10,365)

(1) Includes the withholding tax applicable to this item.

(2) Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

(3) Includes net income of independent professional practitioners.

(4) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964
	I	II	III	IV	Year	I
1. Personal expenditure on consumer goods and services	6,307	6,779	6,647	7,497	27,230	6,804
2. Government expenditure on goods and services(1, 2) .	1,843	1,921	2,257	2,055	8,076	1,984
3. Business gross fixed capital formation(3)	1,460	1,930	2,053	2,052	7,495	1,804
4. New residential construction	298	413	477	517	1,705	442
5. New non-residential construction	502	686	836	787	2,811	573
6. New machinery and equipment	660	831	740	748	2,979	789
7. Value of physical change in inventories(4)	- 51	- 247	1,122	- 365	459	26
8. Non-farm business inventories	188	- 161	9	130	166	323
9. Farm inventories and grain in commercial channels	- 239	- 86	1,113	- 495	293	- 297
10. Exports of goods and services	1,844	2,251	2,457	2,502	9,054	2,112
11. Deduct: Imports of goods and services	- 2,071	- 2,436	2,442	- 2,593	- 9,542	- 2,444
12. Residual error of estimate	158	154	- 58	- 19	235	112
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	9,490	10,352	12,036	11,129	43,007	10,398

(1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

(2) For details of defence expenditure see line 3, Table 6.

(3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

(4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Source of Personal Income, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964
	I	II	III	IV	Year	I
1. Wages, salaries, and supplementary labour income	5,058	5,359	5,567	5,566	21,550	5,482
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 207	- 202	- 213	- 216	- 838	- 217
3. Military pay and allowances	136	157	148	157	598	140
4. Net income received by farm operators from farm production(1)	32	200	1,327	91	1,650	184
5. Net income of non-farm unincorporated business	514	614	594	729	2,451	533
6. Interest, dividends, and net rental income of persons(2)	831	880	853	923	3,487	897
Transfer payments to persons:						
7. From government (excluding interest)	1,092	936	875	926	3,829	1,145
8. Charitable contributions by corporations	11	11	11	11	44	11
9. PERSONAL INCOME	7,467	7,955	9,162	8,187	32,771	8,175

(1) This item differs from line 6, Table 1, by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 4. Disposition of Personal Income, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964
	I	II	III	IV	Year	I
1. Personal direct taxes	682	742	720	766	2,910	754
2. Income taxes	556	646	628	657	2,487	623
3. Succession duties and estate taxes	36	41	44	50	171	39
4. Miscellaneous	90	55	48	59	252	92
5. Personal expenditure on consumer goods and services ..	6,307	6,779	6,647	7,497	27,230	6,804
6. Non-durable goods	3,051	3,184	3,337	3,807	13,379	3,211
7. Durable goods	673	905	683	946	3,207	794
8. Services(1)	2,583	2,690	2,627	2,744	10,644	2,799
9. Personal net saving	478	434	1,795	- 76	2,631	617
10. Personal saving excluding change in farm inventories	697	484	764	373	2,318	894
11. Value of physical change in farm inventories	- 219	- 50	1,031	- 449	313	- 277
12. PERSONAL INCOME	7,467	7,955	9,162	8,187	32,771	8,175
13. (Personal disposable income)(2)	(6,785)	(7,213)	(8,442)	(7,421)	(29,861)	(7,421)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 5. Government Revenue, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964
	I	II	III	IV	Year	I
1. Direct taxes - Persons	682	742	720	766	2,910	754
2. Federal	488	572	555	578	2,193	549
3. Provincial and municipal	194	170	165	188	717	205
4. Direct taxes - Corporations	388	484	454	484	1,810	431
5. Federal	290	361	339	363	1,353	322
6. (Federal tax collections)	(305)	(373)	(338)	(312)	(1,328)	(324)
7. Provincial	98	123	115	121	457	109
8. (Provincial tax collections)	(110)	(107)	(129)	(101)	(447)	(112)
Withholding taxes:						
9. Federal	31	30	24	43	128	30
10. Indirect taxes	1,416	1,428	1,495	1,539	5,878	1,552
11. Federal	551	592	621	686	2,450	616
12. Provincial and municipal	865	836	874	853	3,428	936
13. Investment income	295	337	330	371	1,333	356
14. Federal	92	138	133	134	497	126
15. Provincial and municipal	203	199	197	237	836	230
16. Employer and employee contributions to social insurance and government funds	207	202	213	216	838	217
17. Federal	134	126	136	137	533	140
18. Provincial and municipal	73	76	77	79	305	77
Transfers from Federal:						
19. Provincial and municipal	303	309	264	289	1,165	298
20. TOTAL REVENUE	3,322	3,532	3,500	3,708	14,062	3,638
21. FEDERAL	1,586	1,819	1,808	1,941	7,154	1,783
22. PROVINCIAL and MUNICIPAL	1,736	1,713	1,692	1,767	6,908	1,855

TABLE 6. Government Expenditure, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964
	I	II	III	IV	Year	I
1. Goods and services	1,843	1,921	2,257	2,055	8,076	1,984
2. Federal	735	713	771	708	2,927	804
3. (Defence)	(409)	(375)	(392)	(400)	(1,576)	(460)
4. Provincial and municipal	1,108	1,208	1,486	1,347	5,149	1,180
5. Transfer payments to persons (excluding interest on the public debt)	1,092	936	875	926	3,829	1,145
6. Federal	627	533	459	511	2,130	634
7. Provincial and municipal	465	403	416	415	1,699	511
8. Interest on the public debt	322	386	328	378	1,414	347
9. Federal	216	244	243	232	935	235
10. Provincial and municipal	106	142	85	146	479	112
11. Subsidies	57	90	83	83	313	68
12. Federal	51	86	64	74	275	60
13. Provincial	6	4	19	9	38	8
Transfers to other levels of government:						
14. Federal	303	309	264	289	1,165	298
15. Total expenditure	3,617	3,642	3,807	3,731	14,797	3,842
16. Federal	1,932	1,885	1,801	1,814	7,432	2,031
17. Provincial and municipal	1,685	1,757	2,006	1,917	7,365	1,811
18. Deficit (-) or surplus (+)	- 295	- 110	- 307	- 23	- 735	- 204
19. Federal	- 346	- 66	7	127	- 248	- 248
20. Provincial and municipal	51	- 44	- 314	- 150	- 457	44
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	3,322	3,532	3,500	3,708	14,062	3,638
22. FEDERAL	1,586	1,819	1,808	1,941	7,154	1,783
23. PROVINCIAL and MUNICIPAL	1,736	1,713	1,692	1,767	6,908	1,855

TABLE 7. Source of National Saving, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964
	I	II	III	IV	Year	I
1. Personal net saving	478	434	1,795	- 76	2,631	617
2. Business gross saving	1,342	1,558	1,629	1,695	6,224	1,352
3. Undistributed corporation profits	118	330	295	221	964	165
4. Capital consumption allowances and miscellaneous valuation adjustments	1,196	1,281	1,277	1,370	5,124	1,338
5. Adjustment on grain transactions(1)	28	- 53	57	104	136	- 151
6. Inventory valuation adjustment	- 28	- 75	- 44	- 37	- 184	- 43
7. Government surplus (+) or deficit (-)	- 295	- 110	- 307	- 23	- 735	- 204
8. Residual error of estimate	- 157	- 155	59	18	- 235	- 112
9. Totals	1,340	1,652	3,132	1,577	7,701	1,610

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 8. Disposition of National Saving, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964
	I	II	III	IV	Year	I
1. Business gross fixed capital formation	1,460	1,930	2,053	2,052	7,495	1,804
2. New residential construction	298	413	477	517	1,705	442
3. New non-residential construction	502	686	836	787	2,811	573
4. New machinery and equipment	660	831	740	748	2,979	789
5. Value of physical change in inventories	- 51	- 247	1,122	- 365	459	26
6. Surplus (+) or deficit (-) on current account with non-residents	- 227	- 185	15	- 91	- 488	- 332
7. Residual error of estimate	158	154	- 58	- 19	235	112
8. Totals	1,340	1,652	3,132	1,577	7,701	1,610

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1963 and 1964(1)
(millions of dollars)

	1963					1964
	I	II	III	IV	Year	I
1. Personal expenditure on consumer goods and services	5,834	6,254	6,064	6,864	25,016	6,206
2. Non-durable goods	2,883	2,994	3,090	3,532	12,499	2,981
3. Durable goods	665	893	676	933	3,167	791
4. Services	2,286	2,367	2,298	2,399	9,350	2,434
5. Government expenditure on goods and services	1,504	1,600	1,940	1,658	6,702	1,571
6. Business gross fixed capital formation	1,293	1,705	1,797	1,776	6,571	1,545
7. New residential construction	260	357	410	432	1,459	366
8. New non-residential construction	446	608	739	692	2,485	498
9. New machinery and equipment	587	740	648	652	2,627	681
10. Change in inventories	- 9	- 270	1,030	- 320	431	82
11. Non-farm business inventories	192	- 146	- 1	113	158	324
12. Farm inventories and grain in commercial channels	- 201	- 124	1,031	- 433	273	- 242
13. Exports of goods and services	1,718	2,091	2,285	2,320	8,414	1,956
14. Deduct: Imports of goods and services	- 1,862	- 2,165	- 2,146	- 2,301	- 8,474	- 2,148
15. Residual error of estimate	143	140	- 53	- 17	213	100
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	8,621	9,355	10,917	9,980	38,873	9,312

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, derived by dividing the value figures in Table 2 by the constant dollar figures in Table 9, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964
	I	II	III	IV	Year	I
1. Wages, salaries, and supplementary labour income	21,032	21,280	21,680	22,208	21,550	22,804
2. Military pay and allowances	556	608	600	628	598	576
3. Corporation profits before taxes	3,868	3,892	3,828	4,092	3,920	4,452
4. Deduct: Dividends paid to non-residents(1)	- 612	- 532	- 568	- 660	- 593	- 704
5. Rent, interest, and miscellaneous investment income	2,932	3,040	3,044	3,084	3,025	3,292
6. Accrued net income of farm operators from farm production(2)	1,788	1,724	1,712	1,920	1,786	1,320
7. Net income of non-farm unincorporated business(3)	2,448	2,416	2,448	2,492	2,451	2,540
8. Inventory valuation adjustment	- 112	- 300	- 176	- 148	- 184	- 172
9. NET NATIONAL INCOME AT FACTOR COST	31,900	32,128	32,568	33,616	32,553	34,108
10. Indirect taxes less subsidies	5,588	5,344	5,612	5,716	5,565	6,088
11. Capital consumption allowances and miscellaneous valuation adjustments	4,972	5,068	5,116	5,340	5,124	5,548
12. Residual error of estimate	- 360	- 20	- 220	- 340	- 235	- 232
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	42,100	42,520	43,076	44,332	43,007	45,512
14. (Gross national product at market prices excluding accrued net income of farm operators)	(40,312)	(40,796)	(41,364)	(42,412)	(41,221)	(44,192)

(1) See footnote 1, Table 1.

(2) Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

(3) Includes net income of independent professional practitioners.

TABLE 11. Gross National Expenditure, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964
	I	II	III	IV	Year	I
1. Personal expenditure on consumer goods and services ..	26,660	26,896	27,396	27,968	27,230	28,620
2. Government expenditure on goods and services(1, 2) ..	7,996	8,108	8,152	8,048	8,076	8,488
3. Business gross fixed capital formation(3)	7,128	7,436	7,500	7,916	7,495	8,796
4. New residential construction	1,584	1,676	1,680	1,880	1,705	2,340
5. New non-residential construction	2,668	2,864	2,812	2,900	2,811	3,024
6. New machinery and equipment	2,876	2,896	3,008	3,136	2,979	3,432
7. Value of physical change in inventories	464	340	580	452	459	260
8. Non-farm business inventories	76	- 60	264	384	166	556
9. Farm inventories and grain in commercial channels(4) ..	388	400	316	68	293	- 296
10. Exports of goods and services	8,552	8,980	9,032	9,652	9,054	9,904
11. Deduct: Imports of goods and services	- 9,064	- 9,256	- 9,804	- 10,044	- 9,542	- 10,792
12. Residual error of estimate	364	16	220	340	235	236
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	42,100	42,520	43,076	44,332	43,007	45,512
Detail of Farm Inventories and GICC:						
Value of grain crop production	1,380	1,380	1,380	1,384	1,381	1,084
Depletions of farm stocks of grain	- 1,064	- 1,020	- 1,160	- 1,224	- 1,117	- 1,424
Change in livestock inventories	8	72	20	96	49	- 20
Grain in commercial Channels	64	- 32	76	- 188	- 20	64

(1) See footnote 1, Table 2.

(2) For details of defence expenditures, see line 3, Table 15.

(3) See footnote 3, Table 2.

(4) In the seasonally adjusted series, the value of grain production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 2, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 12. Source of Personal Income, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964
	I	II	III	IV	Year	I
1. Wages, salaries, and supplementary labour income	21,032	21,280	21,680	22,208	21,550	22,804
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 820	- 840	- 844	- 848	- 838	- 860
3. Military pay and allowances	556	608	600	628	598	576
4. Net income received by farm operators from farm production(1)	1,544	1,892	1,508	1,656	1,650	1,780
5. Net income of non-farm unincorporated business	2,448	2,416	2,448	2,492	2,451	2,540
6. Interest, dividends, and net rental income of persons(2)	3,396	3,476	3,488	3,588	3,487	3,668
Transfer payments to persons:						
7. From government (excluding interest)	3,860	3,784	3,764	3,908	3,829	4,092
8. Charitable contributions by corporations	44	44	44	44	44	44
9. PERSONAL INCOME	32,060	32,660	32,688	33,676	32,771	34,644

(1) This item differs from line 6, Table 10 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 13. Disposition of Personal Income, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964
	I	II	III	IV	Year	I
1. Personal direct taxes	2,892	2,748	2,924	3,076	2,910	3,188
2. Income taxes	2,496	2,336	2,500	2,616	2,487	2,768
3. Succession duties and estate taxes	144	164	176	200	171	156
4. Miscellaneous	252	248	248	260	252	264
5. Personal expenditure on consumer goods and services	26,660	26,896	27,396	27,968	27,230	28,620
6. Non-durable goods	13,216	13,192	13,496	13,612	13,379	13,848
7. Durable goods	3,072	3,164	3,184	3,408	3,207	3,532
8. Services(1)	10,372	10,540	10,716	10,948	10,644	11,240
9. Personal net saving	2,508	3,016	2,368	2,632	2,631	2,836
10. PERSONAL INCOME	32,060	32,660	32,688	33,676	32,771	34,644
11. (Personal disposable income)(2)	(29,168)	(29,912)	(29,764)	(30,600)	(29,861)	(31,456)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 14. Government Revenue, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964
	I	II	III	IV	Year	I
1. Direct taxes - Persons	2,892	2,748	2,924	3,076	2,910	3,188
2. Federal	2,192	2,056	2,212	2,312	2,193	2,412
3. Provincial and municipal	700	692	712	764	717	776
4. Direct taxes - Corporations	1,820	1,796	1,756	1,868	1,810	2,012
5. Federal	1,364	1,348	1,316	1,384	1,353	1,516
6. (Federal tax collections)	(1,312)	(1,316)	(1,324)	(1,360)	(1,328)	(1,380)
7. Provincial	456	448	440	484	457	496
8. (Provincial tax collections)	(408)	(416)	(516)	(448)	(447)	(420)
Withholding taxes:						
9. Federal	124	120	132	136	128	120
10. Indirect taxes	5,832	5,716	5,908	6,056	5,878	6,376
11. Federal	2,420	2,328	2,464	2,588	2,450	2,688
12. Provincial and municipal(l)	3,412	3,388	3,444	3,468	3,428	3,688
13. Investment income	1,308	1,384	1,356	1,284	1,333	1,552
14. Federal	484	536	548	420	497	616
15. Provincial and municipal	824	848	808	864	836	936
16. Employer and employee contributions to social insurance and government pension funds	820	840	844	848	838	860
17. Federal	528	536	536	532	533	552
18. Provincial and municipal	292	304	308	316	305	308
Transfers from federal:						
19. Provincial and municipal	1,192	1,224	1,092	1,152	1,165	1,168
20. TOTAL REVENUE	13,988	13,828	14,012	14,420	14,062	15,276
21. FEDERAL	7,112	6,924	7,208	7,372	7,154	7,904
22. PROVINCIAL and MUNICIPAL	6,876	6,904	6,804	7,048	6,908	7,372

(1) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 15. Government Expenditure, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964
	I	II	III	IV	Year	I
1. Goods and services	7,996	8,108	8,152	8,048	8,076	8,488
2. Federal	3,000	2,936	2,940	2,832	2,927	3,188
3. (Defence)	(1,532)	(1,604)	(1,612)	(1,556)	(1,576)	(1,664)
4. Provincial and municipal	4,996	5,172	5,212	5,216	5,149	5,300
5. Transfer payments to persons (excluding interest on the public debt)	3,860	3,784	3,764	3,908	3,829	4,092
6. Federal	2,184	2,092	2,064	2,180	2,130	2,248
7. Provincial and municipal	1,676	1,692	1,700	1,728	1,699	1,844
8. Interest on the public debt	1,380	1,412	1,416	1,448	1,414	1,480
9. Federal	900	940	952	948	935	980
10. Provincial and municipal	480	472	464	500	479	500
11. Subsidies	244	372	296	340	313	288
12. Federal	208	336	256	300	275	244
13. Provincial	36	36	40	40	38	44
Transfers to other levels of government:						
14. Federal	1,192	1,224	1,092	1,152	1,165	1,168
15. Total expenditure	14,672	14,900	14,720	14,896	14,797	15,516
16. Federal	7,484	7,528	7,304	7,412	7,432	7,828
17. Provincial and municipal	7,188	7,372	7,416	7,484	7,365	7,688
18. Deficit (-) or surplus (+)	- 684	- 1,072	- 708	- 476	- 735	- 240
19. Federal	- 372	- 604	- 96	- 40	- 278	76
20. Provincial and municipal	- 312	- 468	- 612	- 436	- 457	- 316
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	13,988	13,828	14,012	14,420	14,062	15,276
22. FEDERAL	7,112	6,924	7,208	7,372	7,154	7,904
23. PROVINCIAL and MUNICIPAL	6,876	6,904	6,804	7,048	6,908	7,372

TABLE 16. Source of National Saving, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964
	I	II	III	IV	Year	I
1. Personal net saving	2,508	3,016	2,368	2,632	2,631	2,836
2. Business gross saving	6,092	5,892	6,264	6,648	6,224	6,212
3. Undistributed corporation profits	876	992	944	1,044	964	1,124
4. Capital consumption allowances and miscellaneous valuation adjustments	4,972	5,068	5,116	5,340	5,124	5,548
5. Adjustment on grain transactions(1)	244	- 168	204	264	136	- 460
6. Inventory valuation adjustment	- 112	- 300	- 176	- 148	- 184	- 172
7. Government surplus (+) or deficit (-)	- 684	- 1,072	- 708	- 476	- 735	- 240
8. Residual error of estimate	- 360	- 20	- 220	- 340	- 235	- 232
9. Totals	7,444	7,516	7,528	8,316	7,701	8,404

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 17. Disposition of National Saving, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964
	I	II	III	IV	Year	I
1. Business gross fixed capital formation	7,128	7,436	7,500	7,916	7,495	8,796
2. New residential construction	1,584	1,676	1,680	1,880	1,705	2,340
3. New non-residential construction	2,668	2,864	2,812	2,900	2,811	3,024
4. New machinery and equipment	2,876	2,896	3,008	3,136	2,979	3,432
5. Value of physical change in inventories	464	340	580	452	459	260
6. Surplus (+) or deficit (-) on current account with non-residents	- 512	- 276	- 772	- 392	- 488	- 888
7. Residual error of estimate	364	16	220	340	235	236
8. Totals	7,444	7,516	7,528	8,316	7,701	8,404

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1963 and 1964(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964
	I	II	III	IV	Year	I
1. Personal expenditure on consumer goods and services	24,636	24,792	25,084	25,552	25,016	26,096
2. Non-durable goods	12,440	12,388	12,552	12,616	12,499	12,800
3. Durable goods	3,036	3,128	3,136	3,368	3,167	3,504
4. Services	9,160	9,276	9,396	9,568	9,350	9,792
5. Government expenditure on goods and services	6,736	6,784	6,728	6,560	6,702	6,916
6. Business gross fixed capital formation	6,316	6,564	6,564	6,840	6,571	7,540
7. New residential construction	1,380	1,448	1,444	1,564	1,459	1,936
8. New non-residential construction	2,380	2,540	2,484	2,536	2,485	2,640
9. New machinery and equipment	2,556	2,576	2,636	2,740	2,627	2,964
10. Change in inventories	420	312	576	416	431	240
11. Non-farm business inventories	72	- 52	264	348	158	532
12. Farm inventories and grain in commercial channels	348	364	312	68	273	- 292
13. Exports of goods and services	7,940	8,384	8,388	8,944	8,414	9,136
14. Deduct: Imports of goods and services	- 8,136	- 8,284	- 8,640	- 8,836	- 8,474	- 9,468
15. Residual error of estimate	332	16	200	304	213	212
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	38,244	38,568	38,900	39,780	38,873	40,672

(1) See footnote 1, Table 9.

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NATIONAL ACCOUNTS :
INCOME AND EXPENDITURE .
(SECOND QUARTER 1964)

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In order to obtain a complete historical record of the quarterly National Accounts, the following publications should be consulted:

"National Accounts, Income and Expenditure, by Quarters, 1947-61", for the years 1947-58.

"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1963", for the years 1959-62.

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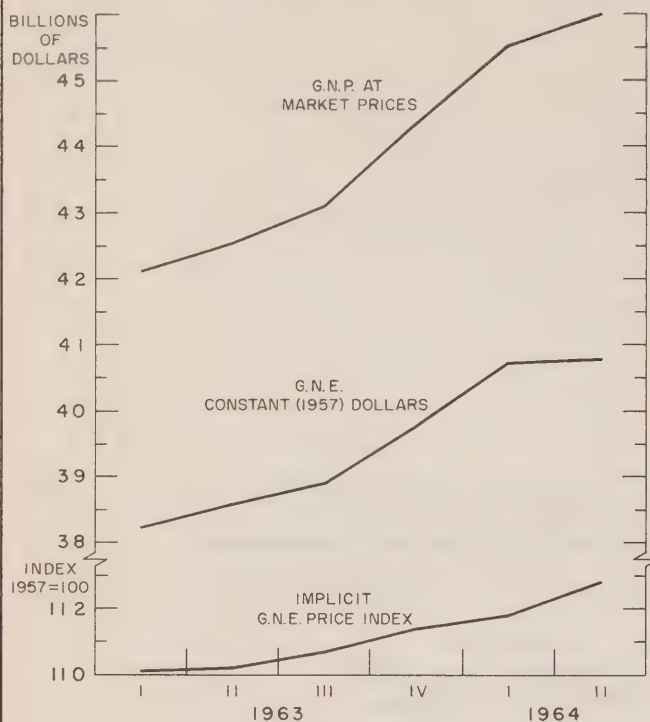
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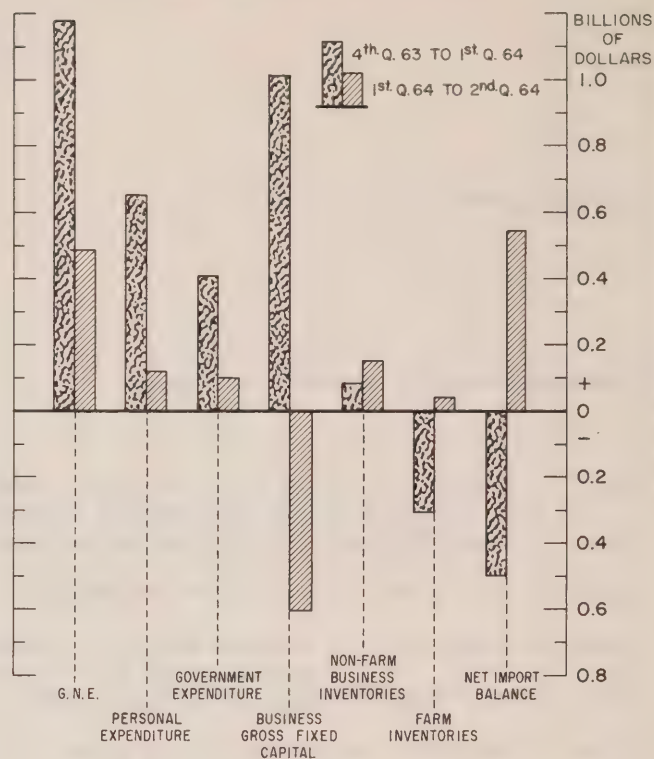
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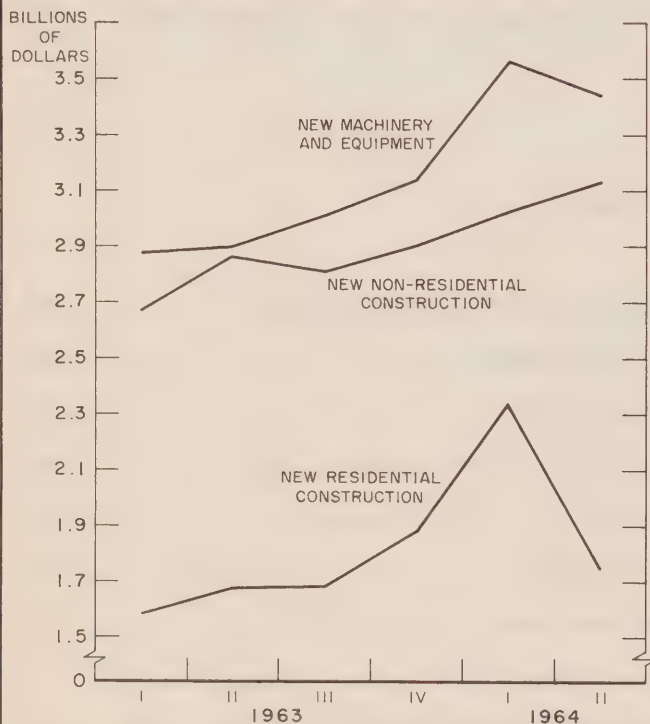
FOLLOWING THE SHARP INCREASE IN THE PREVIOUS QUARTER G.N.P. SHOWED A SMALL RISE REFLECTING MAINLY PRICE INCREASES



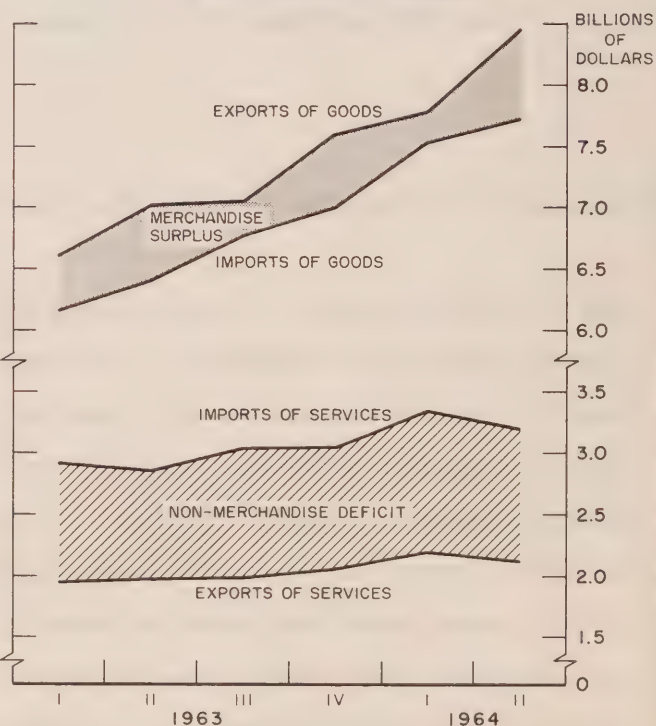
THE IMPROVEMENT IN THE NET IMPORT BALANCE WAS OFFSET BY LOWER INVESTMENT OUTLAYS



HOUSING EXPENDITURE DROPPED BACK FROM THE UNPRECEDENTED LEVEL ATTAINED IN THE FIRST QUARTER



RIISING MERCHANDISE EXPORTS MAINLY ACCOUNTED FOR THE IMPROVEMENT IN THE NET IMPORT BALANCE



ALL DATA IN THE ABOVE CHARTS ARE SEASONALLY ADJUSTED AT ANNUAL RATES.

INTRODUCTORY REVIEW

Gross National Product in the second quarter of 1964 is estimated at \$46.0 billion, slightly more than 1 per cent higher than in the preceding period. However, virtually all this increase represents higher prices, leaving the volume of the nation's output much the same. The value of Gross National Product excluding net farm income rose by about one half of 1 per cent.

The current expansion in economic activity is now about 3½ years old, having got under way in the early part of 1961. Towards the end of last year the pace of the advance began to accelerate, and the rate of increase in seasonally adjusted non-farm G.N.P. in the first quarter of 1964, of 4 per cent, was the sharpest of the entire period. The rapidity of the advance was accounted for in part by special factors such as the stimulus of the winter house-building incentive scheme and the extraordinarily high levels of wheat exports and farm cash income which prevailed through the period. In addition, the exceptionally strong rise in investment spending in the first quarter likely reflected some forward spending associated with the increase in the sales tax on building materials and production machinery which went into effect on April 1.1/

The Gross National Product is a seasonally adjusted figure, with seasonal factors based on the average experience of past years. The somewhat special situation outlined above raises difficult problems in the interpretation of seasonally adjusted data. With this in mind it may be useful in assessing the recent economic situation to compare the quarterly changes over the past year. A table showing these figures for Gross National Expenditure and its components is set out below:

Gross National Expenditure and its Components. Percent Change from the Preceding Quarter
(Seasonally Adjusted Data)

	<u>III '63</u> II	<u>IV '63</u> III	<u>I '64</u> IV '63	<u>II '64</u> I
Personal Expenditure	1.9	2.1	2.3	0.4
Non-Durable Goods	2.3	0.9	1.7	1.1
Durable Goods	0.6	7.0	3.6	-4.0
Services	1.7	2.2	2.7	1.0
Government Expenditure	0.5	-1.3	5.1	1.2
Business Gross Fixed Capital	0.9	5.5	12.8	-6.8
Housing	0.2	11.9	24.5	-25.1
Non-Residential	-1.8	3.1	4.3	3.4
Machinery	3.9	4.3	13.6	-3.4
Value of Physical Change in Inventories	\$ 240 m	\$-128 m	\$-224 m	\$ 192 m
Non-farm	\$ 324 m	\$ 120 m	\$ 84 m	\$ 152 m
Farm	\$ -84 m	\$-248 m	\$-308 m	\$ 40 m
Exports of Goods and Services	0.6	6.9	3.4	5.9
Imports of Goods and Services	5.9	2.4	8.2	0.4
Gross National Expenditure	1.3	2.9	2.7	1.1
(G.N.P. excluding farm income).....	(1.4)	(2.5)	(4.3)	(0.4)

1/ On July 8th, 1963, it was announced that the tax on certain building materials and production machinery would be imposed in three stages: 4 per cent in June 1963, rising to 8 per cent in April 1964 and to the full 11 per cent in January 1965.

Quarter to Quarter Changes in Final Purchases
(Seasonally Adjusted at Annual Rates)
(millions of dollars)

	4Q'60 to 1Q'61	1Q'61 to 2Q'61	2Q'61 to 3Q'61	3Q'61 to 4Q'61	4Q'61 to 1Q'62	1Q'62 to 2Q'62	2Q'62 to 3Q'62	3Q'62 to 4Q'62	4Q'62 to 1Q'63	1Q'63 to 2Q'63	2Q'63 to 3Q'63	3Q'63 to 4Q'63	4Q'63 to 1Q'64	1Q'64 to 2Q'64
1. Personal expenditure	- 160	488	420	172	548	84	172	520	424	236	500	572	652	120
2. Government expenditure	252	- 108	280	192	4	404	- 264	72	264	112	44	- 104	408	100
3. Residential construction	20	64	32	- 40	80	40	32	- 36	8	92	4	200	460	- 588
4. Non-residential construction	60	28	76	48	- 32	- 88	- 68	24	68	196	- 52	88	124	104
5. Machinery and equipment	- 128	- 112	64	24	88	64	148	76	- 16	20	112	128	428	- 120
6. Exports of goods and services	396	144	412	84	40	272	- 8	192	120	428	52	620	328	584
7. Total final purchases	440	504	1,284	480	728	776	12	848	868	1,084	660	1,504	2,400	200
8. (Final domestic demand)	44	360	872	396	688	504	20	656	748	656	608	884	2,072	- 384

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in non-farm business inventories	- 140	340	- 556	820	- 644	228	424	- 552	- 80	- 136	324	120	84	152
10. Imports of goods and services	276	- 200	408	384	- 24	224	- 84	- 212	176	192	548	240	828	40
11. G.N.P. (ex. farm)	- 148	1,020	444	1,068	240	588	616	576	632	484	568	1,008	1,832	176

Constant (1957) Dollars

Quarter to Quarter Percentage Changes in Selected Items

12. Final domestic demand	-	0.8	2.0	0.7	1.1	0.6	- 0.5	1.2	1.2	1.2	0.6	1.5	4.1	- 1.6
13. Total final purchases	0.6	1.0	2.3	0.6	0.9	0.9	- 0.5	1.3	1.1	2.0	0.5	2.4	4.0	- 0.3
14. Gross national expenditure ..	- 1.2	2.8	1.3	2.4	1.6	0.7	1.2	1.0	1.4	0.8	0.9	2.3	2.4	0.2

Turning from the aggregates to the components, the main source of strength in the economy in the second quarter was in the external sector. A substantial increase in exports of goods and services in association with little change in imports made for a reduction in the deficit on international current account. A building up of stocks contributed support to economic activity in the face of easing final demand. In the consumer sector, the characteristically volatile demand for durables fell away from the high first quarter level, leaving total consumer outlays only fractionally higher. Government expenditure on goods and services rose a little. Revenues rose more than total government expenditures (including transfers) thereby making for a further reduction in the combined government deficit, one of the notable developments of the quarter. In the investment sector the impact of a steep decline in outlays for housing was reinforced by some falling-off in purchases of machinery and equipment; investment in non-residential construction was moderately higher.

The outcome of the opposing forces brought to bear on the economy in the second quarter was that final domestic demand was off slightly, in sharp contrast to the exceptionally large advance of the preceding period. At the same time, the expansion of exports made for a small increment to total final purchases.

The salient developments on the income side of the accounts in the second quarter were a distinct falling-off in the rate of increase in labour income and a levelling off in corporate profits after two sharp quarterly increases.

The upward-drift of prices was reinforced in the second quarter. Most of the increase of about 1 per cent in overall prices took place in gross fixed capital formation (up by about 1.5 per cent), largely due to the implementation of the second stage of the sales tax on building materials and production machinery. New residential construction prices rose by almost 2 per cent with a little more than 2 per cent being the increase recorded for the price of machinery and equipment. The price component of personal expenditure rose by half of 1 per cent as a result of increases in prices for food and services. Prices of exported goods and services showed a fractional increase. The following table shows the price changes for the last 12 months:

Implicit Price Indexes
Gross National Expenditure and its Components. Percent Change from the Preceding Quarter

	<u>III '63</u>	<u>IV '63</u>	<u>I '64</u>	<u>II '64</u>
	II	III	IV'63	I
Personal Expenditure	0.7	0.2	0.5	0.5
Total Goods	0.8	0.1	0.2	0.4
Non-durable Goods	0.9	0.3	0.4	0.4
Durable Goods	0.3	-0.4	-0.4	-0.1
Total Services including net expenditure abroad	0.4	0.3	0.8	0.5
Government Expenditure	1.4	1.2	0.3	1.5
Gross Fixed Capital Formation	0.9	1.2	0.9	1.4
New Residential Construction	0.5	3.4	0.6	1.7
New Non-Residential Construction	0.4	1.1	0.1	1.2
New Machinery and Equipment	1.5	0.4	1.2	2.1
Exports of Goods and Services	0.6	0.2	0.3	0.3
Imports of Goods and Services	1.6	0.2	1.1	-0.3
G.N.E.	0.5	0.6	0.4	0.9

The Components of Demand

Consumer Expenditure

Following sharp increases in the three preceding quarters, personal expenditure on consumer goods and services registered only a fractional rise in the second quarter. On average, the prices of consumer goods and services showed an equivalent rise, leaving the level of real consumption unchanged from the first quarter.

The drop in purchases of durable goods was widespread, offsetting a 1 per cent rise in non-durable goods. All categories of durables contributed to the 4 per cent decline, the largest being net purchases of new and used cars which were down 6 per cent from the first quarter level. While car purchasing has shown a steady growth in Canada for several years, a particularly sharp rise occurred in the fourth quarter of 1963, followed by a further rise in the first quarter of this year.

Purchases of household durables also fell off in the second quarter, possibly reflecting the sharp drop in housing completions.

Movements in the components of non-durables showed contrasts with the first quarter. Where the first quarter was marked by rising purchases of food, and a sharp increment in purchases of alcoholic beverages matched by an equivalent decline in consumption of tobacco products, the second quarter showed a 6 per cent decline in alcoholic beverages, a 7 per cent increase in tobacco products, and no change in the level of food purchases. In the case of alcoholic beverages and tobacco products, the second quarter experience may have been a reaction from the first quarter when anticipation of price increases stimulated purchases of spirits while at the same time medical reports were published on the effects of smoking. With the level of food purchases unchanged in the second quarter and with some price increases in this area, a decline in real consumption is indicated. Among other non-durables, expenditure on gas, oil and auto parts rose by $1\frac{1}{2}$ per cent after a first quarter decline, while purchases of clothing declined fractionally.

Expenditures on services increased by 1 per cent, a bit less than the normal rate of growth for this component, mainly reflecting less than the usual increase in shelter expenses.

Business Gross Fixed Capital Formation

Outlays on fixed capital dropped significantly in the second quarter. At a seasonally adjusted annual rate of \$8,324 million, capital spending fell about 7 per cent below the first quarter. While non-residential construction increased by over 3 per cent, machinery and equipment spending declined over 3 per cent and housing dropped back from the exceptionally high level of the first quarter. Expenditure during the first half of the year, at a seasonally adjusted annual rate, still ran 15 per cent over the year 1963; the mid year review of 1964 capital expenditure intentions indicated a 19 per cent increase for the year as a whole.

The value of new residential construction was at an annual rate of \$2,340 and \$1,752 million, after discounting seasonal factors, in the first two quarters. This 25 per cent drop matched declines of 26 and 31 per cent in seasonally adjusted figures of housing starts and completions. Starts at annual rates dropped from the unusually high level of 181,000 to 134,200; completions moved from 215,800 to 148,000.

The annual rate of new non-residential construction rose from \$3,024 to \$3,128 million, while expenditures on machinery and equipment fell from \$3,564 to \$3,444 million. In the first half of 1964 non-residential contract awards were running well over 1963 levels. Likewise, shipments of rolled steel products to building construction (including utility construction and steel fabricators) exceeded those of the same period a year earlier. However, business outlays on new machinery and equipment are estimated to have been lower, but detailed import statistics for the quarter are not yet available to substantiate part of this estimate.

Investment in Non-Farm Business Inventories

Investment in non-farm business inventories contributed to the level of economic activity in the second quarter. Business added to its stocks at an increasing rate, thus continuing the tendency towards inventory build-up which had been resumed in the third quarter of 1963. Seasonally adjusted estimates show an accumulation of inventories of \$620 million at annual rates compared with \$468 million in the previous quarter. The manufacturing, wholesale, and notably the retail industry increased their stocks, while other industries showed a decline in the rate of accumulation mainly due to the depletion of mining inventories.

Among the manufacturing industries the greater part of the quarter's accumulation took place in durables where there was a shift from liquidation to accumulation, reflecting mainly increases in the stocks of primary metals, metal fabricating and machinery industries. In contrast to the first quarter, some drawing down of stocks occurred in the transportation equipment industry, while a reduction in inventory levels continued, though at a reduced rate, in the wood products and furniture industries. Total non-durables doubled the rate of accumulation of the previous quarter; in this group the movement was also mixed, with the food and chemical industries accounting for most of the accumulation, and petroleum and coal industries for most of the depletion.

The accumulation in manufacturing took place against a background of virtually unchanged production and lower shipments, the first decline to have taken place since the end of 1960. Although the stock-to-shipments ratio was lower than the average of the past three years, some increase was registered in the second quarter. At every stage of processing there were additions to stocks, the highest being in stocks of finished goods. Unfilled orders increased, but new orders dropped for the first time since the middle of 1960.

In wholesale trades, the major part of the re-stocking took place in durable lines, where there was a shift from liquidation to accumulation, mainly as a result of additions to the stocks of wholesalers of industrial and transportation equipment. In non-durables the accumulation was general and, in the total, remained at the same modest rate as in the previous quarter. The stock-to-sales ratio in wholesale trade advanced, but was not higher than its average over the past three years.

In retail trades, additions to stocks continued, though at a sharply reduced rate. The stock-to-sales ratio of total retail trade declined slightly. Among durables, most of the accumulation was accounted for by the increase, although at a greatly reduced rate, in the stocks of motor vehicle dealers whose sales dropped more than the supply of new cars. Among non-durables, the biggest re-stocking took place in the food trades.

Exports and Imports of Goods and Services

The deficit in the external account dropped from an annual rate, after seasonal adjustment, of \$892 million in the first quarter to \$348 million in the second quarter when exports of goods and services rose nearly 6 per cent to an annual rate of \$10,564 million and imports of goods and services were practically unchanged -- moving from \$10,872 to \$10,912 million. With transactions on external account reflecting some of the unusual events outlined earlier, the wide swings in the deficit do not necessarily show underlying changes in the external account and an averaging of the net balances in the first half of the year may place the figures in better perspective.

Exports of merchandise rose sharply and the surplus on goods, seasonally adjusted, increased from \$256 to \$732 million. With a deficit on non-merchandise trade \$68 million lower, the current account deficit fell by \$544 million.

Exports and Imports of Goods and Services (Seasonally adjusted at annual rates)

	Goods			Services			Current Balance
	Exports	Imports	Net	Exports	Imports	Net	
(millions of dollars)							
1963-1st qtr.	6,604	6,152	452	1,948	2,912	-964	-512
2nd qtr.	7,008	6,400	608	1,972	2,856	-884	-276
3rd qtr.	7,048	6,768	280	1,984	3,036	-1,052	-772
4th qtr.	7,596	7,000	596	2,056	3,044	-988	-392
1964-1st qtr.	7,788	7,532	256	2,192	3,340	-1,148	-892
2nd qtr.	8,452	7,720	732	2,112	3,192	-1,080	-348

Marked improvement in earnings from merchandise trade resulted from an increase of 8.5 per cent in exports compared with a rise of 2.5 per cent in imports. Adjusted export figures indicate that gains from the first quarter were made mostly outside the United States and United Kingdom markets, and principally from sales of wheat to the USSR and other countries in eastern Europe. Sales abroad increased for wheat, lumber, newsprint paper, wood pulp, nickel and ores, crude petroleum and agricultural machinery. Commodity detail is not available to identify changes in merchandise imports.

The non-merchandise trade deficit moved from \$1,148 to \$1,080 million, attributable to increased production of gold, improvement in the travel account and in the miscellaneous service account (personal remittances, official contributions, business services, etc.)

Income Flows

Labour Income

Labour income continued to rise in the second quarter, to a seasonally adjusted annual rate of \$23.0 billion, slightly over 1 per cent above the level of the previous period and the lowest increase since the first quarter of 1961. The service-producing industries continued the increases of the previous two quarters while the goods-producing industries total showed a decline. Within the latter group, manufacturing rose very slightly, the smallest increase in this industry in the recent expansion. Reflecting the sharp drop in housing, labour income in construction declined 4 per cent. The much lower rate of increase in labour income in the second quarter is associated with one of the smallest quarterly increases in employment since 1961.

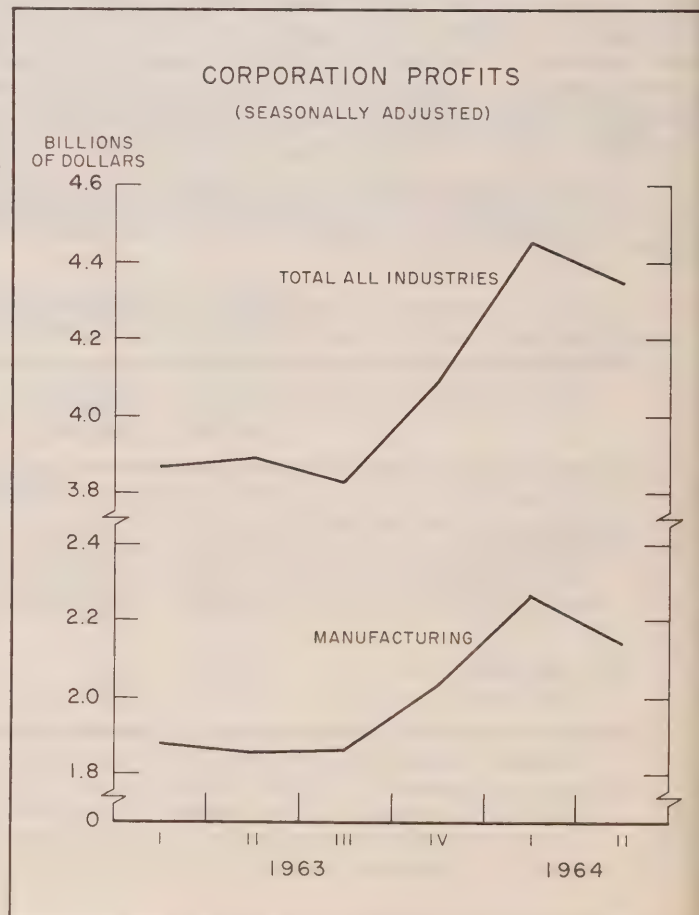
Corporation Profits and Other Investment Income

Corporation profits (before taxes and before dividends paid to non-residents) dropped by about 2 per cent in the second quarter of 1964, after rising strongly in the two preceding quarters. They were at a seasonally adjusted annual rate of \$4.3 billion, 46 per cent higher than the level at the beginning of the expansion. Lower profits were experienced by all major industries except Finance, Mining, and the Transportation, Storage and Communication groups.

Manufacturing as a whole showed a decline of 5½ per cent. Within this industry, however, there were offsetting movements; gains recorded in petroleum and coal, chemical, rubber, and other manufacturing were more than offset by declines in the rest of the group. Metal industries (including transportation equipment) showed the sharpest decline of about 12 per cent which was associated with reduced output and lower prices of motor vehicles.

Percentage Changes in Corporation Profits by Industry (seasonally adjusted)

	<u>1Q 1964 to 2Q 1964</u>
Mines, Quarries and Oil Wells	5.2
Manufacturing Industries	-5.5
Transportation, Storage and Communication	2.2
Electric Power, Gas and Water Utilities	-
Wholesale Trade	-3.9
Retail Trade	-9.5
Finance, Insurance and Real Estate	7.6
Service	-11.5
Other Non-manufacturing	-3.8
Total, All Industries ...	-2.3



Dividends paid to non-residents declined significantly, by about 18 per cent, so that profits measured in the Gross National Product were slightly higher.

Unincorporated Business

Net income of non-farm unincorporated business declined more than 1 per cent, seasonally adjusted, in the second quarter 1964. The most marked decrease, of nearly 10 per cent, was recorded in the construction industry associated with the decline in housing outlays; retail trade also declined. Forestry, fishing, finance and service net income rose slightly.

Seasonally adjusted accrued net income of farm operators from farm production increased by 25 per cent in the second quarter of 1964. Higher profits of the Canadian Wheat Board, associated with the record level of grain exports, were the major factor in the increase. Livestock inventories, predominantly of cattle, showed more than a seasonal accumulation.

On the other hand, seasonally adjusted net income of farm operators, which is reflected in the personal income account, dropped 32 per cent in the second quarter of 1964, mainly as a result of a sharp reduction in payments to farmers by the Canadian Wheat Board in the quarter, following record payments in the first quarter.

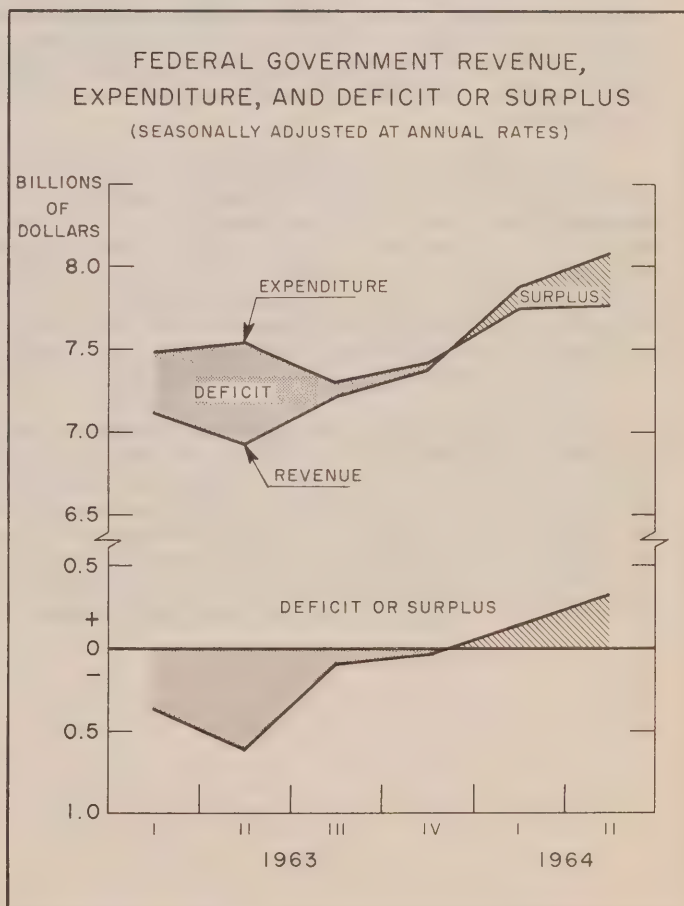
It is perhaps of interest that the latest estimate of the value of crop production for the year 1964 is \$1,128 million, down 18 per cent from the record crop of 1963, but still 15 per cent above the ten year average.

The Government Sector

Seasonally adjusted at annual rates, revenues of all governments combined (including inter-governmental transfers) increased by about 3 per cent to a level of \$15,700 million in the second quarter from the previous period. Total expenditures of all governments increased less than total revenues with the result that the deficit was almost halved, falling from a rate of \$240 million to a rate of \$124 million.

The main factor in the improvement of the combined deficit position was the change in the federal surplus on a national accounts basis which increased from a rate of \$136 million in the first quarter to a rate of \$320 million in the second, the largest surplus since the second quarter of 1957. Federal revenues were higher by $2\frac{1}{2}$ per cent with the major gains being made in personal direct and in indirect taxes, the latter partly owing to the increase in the sales tax rate on production machinery and building materials from 4 per cent to 8 per cent effective April 1, 1964. On the other hand, total federal expenditures showed little change. Expenditures on goods and services declined by about $2\frac{1}{2}$ per cent as defence spending fell sharply, principally as a result of smaller outlays on equipment, and non-defence spending remained relatively stable. Offsetting this decline in goods and services, federal transfers to other levels of government rose nearly 10 per cent because of higher grants to provinces under the Hospital Insurance and Diagnostic Services Act and payments for winter works projects.

Total expenditures of the provincial and municipal governments combined rose by about 4 per cent to a level of \$8,068 million in the second quarter with increased outlays on goods and services and on transfer payments to persons. Total revenues rose less sharply, the main increments occurring in personal direct taxes and transfers from the federal government. As a consequence, the deficit at the provincial-municipal level widened somewhat, to a rate of \$444 million from \$376 million.



Production by Industry

Seasonally adjusted real domestic product less agriculture for the second quarter of 1964 was below the level attained in the first quarter of this year. While the present decline is the first to be shown by this aggregate since the beginning of the expansion in production early in 1961, to a large extent it represented a reversal of the sharp increases shown by construction and related industries in the fourth and the first quarters, particularly the latter. Compared with the second quarter of 1963, non-agricultural output was more than 6 per cent higher.

The 11 per cent drop in construction in the second quarter accounted for more than three quarters of the decline in total non-agricultural output. Stimulated in part by the government winter house-building incentive programme and by the imposition of the second stage of the tax on building materials on April 1, construction activity had increased by 6 per cent and then by a further 9 per cent in the two preceding quarters. The current decline left construction 3 per cent above the third quarter of 1963; it was concentrated in the area of residential construction which alone accounted for more than half of the decline in non-agricultural output.

The next largest contributor to the decline was trade, with wholesale trade down by $2\frac{1}{2}$ per cent and retail trade by $1\frac{1}{2}$ per cent. Both at the wholesale and retail levels the most significant declines occurred in those trades dealing with construction materials. In addition, there was a substantial decline in the sales of motor vehicle dealers of 5 per cent at the retail level.

Other declines occurred in mining, forestry, and fishing and trapping. Public administration and defence declined fractionally. Mining output decreased by one per cent with declines concentrated in metal mining, particularly iron ore (-7 per cent) and other metals including uranium.

Manufacturing showed a marginal increase, as a result of a 1 per cent increase in non-durables just outweighing a less than 1 per cent decline in durables. As in trade, the largest declines in durables occurred in industries which produce construction materials and related goods, such as the wood products and non-metallic mineral products groups which declined by 4 and 6 per cent respectively and together accounted for over one half of the drop in durables. The remainder was mostly accounted for by the 6 per cent falling-off in the motor vehicle component of the transportation equipment group. Iron and steel production in the second quarter continued to increase, showing a gain of 2 per cent, with increases in iron castings and primary iron and steel of 11 and 3 per cent respectively. Non-ferrous metal products and electrical apparatus and supplies also showed gains in the quarter.

Within non-durable manufacturing, strong gains of 4 to 9 per cent were shown by textile products, printing and publishing and tobacco products, the increase in the last group representing in part a recovery from a very low first quarter. Paper products increased by less than one per cent, with the effects of a 3 per cent gain in pulp and paper dampened by the sharp decline of the roofing paper component from the exceptionally high first quarter levels. Foods and beverages fell by 1 per cent, with a drop in its grain milling component of 5 per cent, again from very high first quarter levels, reflecting in the main developments associated with the recent Russian trade agreement. Fractional declines occurred in petroleum products and chemicals, the latter as a result of a steep drop in paints and varnishes, while most other components of chemicals increased.

The transportation, storage and communication group showed a gain of one and a half per cent in the second quarter, with all three components contributing to the increase. Storage was up by $9\frac{1}{2}$ per cent as a result of increased receipts and shipments at grain elevators. The transportation group increased by one per cent in spite of the two per cent decline in its largest component - railways - which failed to sustain the rapid increases achieved during the previous two quarters. The expansion in transportation activity for the second quarter came largely from shipping, which showed an above average gain due to the large quantities of wheat carried at that time. Air transport and increased output of oil and gas pipelines also contributed to the advance in total transportation.

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964	
	I	II	III	IV	Year	I	II
1. Wages, salaries, and supplementary labour income ...	5,058	5,359	5,567	5,566	21,550	5,482	5,804
2. Military pay and allowances	136	157	148	157	598	140	150
3. Corporation profits before taxes	788	1,068	998	1,066	3,920	917	1,197
4. Deduct: Dividends paid to non-residents(1)	- 145	- 118	- 121	- 209	- 593	- 172	- 119
5. Rent, interest, and miscellaneous investment income	709	736	762	818	3,025	785	784
6. Accrued net income of farm operators from farm production(2)	60	147	1,384	195	1,786	11	185
7. Net income of non-farm unincorporated business(3) ..	514	614	594	729	2,451	535	633
8. Inventory valuation adjustment(4)	- 28	- 75	- 44	- 37	- 184	- 43	- 72
9. NET NATIONAL INCOME AT FACTOR COST	7,092	7,888	9,288	8,285	32,553	7,655	8,562
10. Indirect taxes less subsidies	1,359	1,338	1,412	1,456	5,565	1,500	1,588
11. Capital consumption allowances and miscellaneous valuation adjustments	1,196	1,281	1,277	1,370	5,124	1,338	1,403
12. Residual error of estimate	- 157	- 155	59	18	- 235	- 93	- 230
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	9,490	10,352	12,036	11,129	43,007	10,400	11,323
14. (Gross national product at market prices excluding accrued net income of farm operators)	(9,430)	(10,205)	(10,652)	(10,934)	(41,221)	(10,389)	(11,138)

(1) Includes the withholding tax applicable to this item.

(2) Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

(3) Includes net income of independent professional practitioners.

(4) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964	
	I	II	III	IV	Year	I	II
1. Personal expenditure on consumer goods and services	6,307	6,779	6,647	7,497	27,230	6,804	7,245
2. Government expenditure on goods and services(1, 2) .	1,843	1,921	2,257	2,055	8,076	1,997	2,028
3. Business gross fixed capital formation(3)	1,460	1,930	2,053	2,052	7,495	1,833	2,164
4. New residential construction	298	413	477	517	1,705	442	440
5. New non-residential construction	502	686	836	787	2,811	573	755
6. New machinery and equipment	660	831	740	748	2,979	818	969
7. Value of physical change in inventories(4)	- 51	- 247	1,122	- 365	459	7	- 174
8. Non-farm business inventories	188	- 161	9	130	166	297	28
9. Farm inventories and grain in commercial channels	- 239	- 86	1,113	- 495	293	- 290	- 202
10. Exports of goods and services	1,844	2,251	2,457	2,502	9,054	2,129	2,710
11. Deduct: Imports of goods and services	- 2,071	- 2,436	- 2,442	- 2,593	- 9,542	- 2,463	- 2,881
12. Residual error of estimate	158	154	- 58	- 19	235	93	231
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	9,490	10,352	12,036	11,129	43,007	10,400	11,323

(1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

(2) For details of defence expenditure see line 3, Table 6.

(3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

(4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Source of Personal Income, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964	
	I	II	III	IV	Year	I	II
1. Wages, salaries, and supplementary labour income	5,058	5,359	5,567	5,566	21,550	5,482	5,804
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 207	- 202	- 213	- 216	- 838	- 218	- 215
3. Military pay and allowances	136	157	148	157	598	140	150
4. Net income received by farm operators from farm production(1)	32	200	1,327	91	1,650	162	95
5. Net income of non-farm unincorporated business	514	614	594	729	2,451	535	633
6. Interest, dividends, and net rental income of persons(2)	831	880	853	923	3,487	898	936
Transfer payments to persons:							
7. From government (excluding interest)	1,092	936	875	926	3,829	1,153	1,049
8. Charitable contributions by corporations	11	11	11	11	44	11	11
9. PERSONAL INCOME	7,467	7,955	9,162	8,187	32,771	8,163	8,463

(1) This item differs from line 6, Table 1, by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 4. Disposition of Personal Income, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964	
	I	II	III	IV	Year	I	II
1. Personal direct taxes	682	742	720	766	2,910	764	904
2. Income taxes	556	646	628	657	2,487	623	791
3. Succession duties and estate taxes	36	41	44	50	171	40	57
4. Miscellaneous	90	55	48	59	252	101	56
5. Personal expenditure on consumer goods and services ..	6,307	6,779	6,647	7,497	27,230	6,804	7,245
6. Non-durable goods	3,051	3,184	3,337	3,807	13,379	3,211	3,364
7. Durable goods	673	905	683	946	3,207	794	983
8. Services(1)	2,583	2,690	2,627	2,744	10,644	2,799	2,898
9. Personal net saving	478	434	1,795	- 76	2,631	595	314
10. Personal saving excluding change in farm inventories	697	484	764	373	2,318	865	447
11. Value of physical change in farm inventories	- 219	- 50	1,031	- 449	313	- 270	- 133
12. PERSONAL INCOME	7,467	7,955	9,162	8,187	32,771	8,163	8,463
13. (Personal disposable income)(2)	(6,785)	(7,213)	(8,442)	(7,421)	(29,861)	(7,399)	(7,559)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 5. Government Revenue, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964	
	I	II	III	IV	Year	I	II
1. Direct taxes - Persons	682	742	720	766	2,910	764	904
2. Federal	488	572	555	578	2,193	549	699
3. Provincial and municipal	194	170	165	188	717	215	205
4. Direct taxes - Corporations	388	484	454	484	1,810	431	530
5. Federal	290	361	339	363	1,353	322	395
6. (Federal tax collections)	(305)	(373)	(338)	(312)	(1,328)	(324)	(520)
7. Provincial	98	123	115	121	457	109	135
8. (Provincial tax collections)	(110)	(107)	(129)	(101)	(447)	(113)	(131)
Withholding taxes:							
9. Federal	31	30	24	43	128	30	34
10. Indirect taxes	1,416	1,428	1,495	1,539	5,878	1,568	1,652
11. Federal	551	592	621	686	2,450	616	719
12. Provincial and municipal	865	836	874	853	3,428	952	933
13. Investment income	295	337	330	371	1,333	347	361
14. Federal	92	138	133	134	497	120	140
15. Provincial and municipal	203	199	197	237	836	227	221
16. Employer and employee contributions to social insurance and government funds	207	202	213	216	838	218	215
17. Federal	134	126	136	137	533	141	135
18. Provincial and municipal	73	76	77	79	305	77	80
Transfers from Federal:							
19. Provincial and municipal	303	309	264	289	1,165	298	328
20. TOTAL REVENUE	3,322	3,532	3,500	3,708	14,062	3,656	4,024
21. FEDERAL	1,586	1,819	1,808	1,941	7,154	1,778	2,122
22. PROVINCIAL and MUNICIPAL	1,736	1,713	1,692	1,767	6,908	1,878	1,902

TABLE 6. Government Expenditure, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964	
	I	II	III	IV	Year	I	II
1. Goods and services	1,843	1,921	2,257	2,055	8,076	1,997	2,028
2. Federal	735	713	771	708	2,927	798	731
3. (Defence)	(409)	(375)	(392)	(400)	(1,576)	(456)	(364)
4. Provincial and municipal	1,108	1,208	1,486	1,347	5,149	1,199	1,297
5. Transfer payments to persons (excluding interest on the public debt)	1,092	936	875	926	3,829	1,153	1,049
6. Federal	627	533	459	511	2,130	634	566
7. Provincial and municipal	465	403	416	415	1,699	519	483
8. Interest on the public debt	322	386	328	378	1,414	352	415
9. Federal	216	244	243	232	935	236	259
10. Provincial and municipal	106	142	85	146	479	116	156
11. Subsidies	57	90	83	83	313	68	64
12. Federal	51	86	64	74	275	60	60
13. Provincial	6	4	19	9	38	8	4
Transfers to other levels of government:							
14. Federal	303	309	264	289	1,165	298	328
15. Total expenditure	3,617	3,642	3,807	3,731	14,797	3,868	3,884
16. Federal	1,932	1,885	1,801	1,814	7,432	2,026	1,944
17. Provincial and municipal	1,685	1,757	2,006	1,917	7,365	1,842	1,940
18. Deficit (-) or surplus (+)	- 295	- 110	- 307	- 23	- 735	- 212	140
19. Federal	- 346	- 66	7	127	- 278	- 248	178
20. Provincial and municipal	51	- 44	- 314	- 150	- 457	36	- 38
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	3,322	3,532	3,500	3,708	14,062	3,656	4,024
22. FEDERAL	1,586	1,819	1,808	1,941	7,154	1,778	2,122
23. PROVINCIAL and MUNICIPAL	1,736	1,713	1,692	1,767	6,908	1,878	1,902

TABLE 7. Source of National Saving, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964	
	I	II	III	IV	Year	I	II
1. Personal net saving	478	434	1,795	- 76	2,631	595	314
2. Business gross saving	1,342	1,558	1,629	1,695	6,224	1,352	1,898
3. Undistributed corporation profits	118	330	295	221	964	165	405
4. Capital consumption allowances and miscellaneous valuation adjustments	1,196	1,281	1,277	1,370	5,124	1,338	1,403
5. Adjustment on grain transactions(1)	28	- 53	57	104	136	- 151	90
6. Inventory valuation adjustment	- 28	- 75	- 44	- 37	- 184	- 43	- 72
7. Government surplus (+) or deficit (-)	- 295	- 110	- 307	- 23	- 735	- 212	140
8. Residual error of estimate	- 157	- 155	59	18	- 235	- 93	- 230
9. Totals	1,340	1,652	3,132	1,577	7,701	1,599	2,050

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 8. Disposition of National Saving, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964	
	I	II	III	IV	Year	I	II
1. Business gross fixed capital formation	1,460	1,930	2,053	2,052	7,495	1,833	2,164
2. New residential construction	298	413	477	517	1,705	442	440
3. New non-residential construction	502	686	836	787	2,811	573	755
4. New machinery and equipment	660	831	740	748	2,979	818	969
5. Value of physical change in inventories	- 51	- 247	1,122	- 365	459	7	- 174
6. Surplus (+) or deficit (-) on current account with non-residents	- 227	- 185	15	- 91	- 488	- 334	- 171
7. Residual error of estimate	158	154	- 58	- 19	235	93	231
8. Totals	1,340	1,652	3,132	1,577	7,701	1,599	2,050

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1963 and 1964(1)
(millions of dollars)

	1963					1964	
	I	II	III	IV	Year	I	II
1. Personal expenditure on consumer goods and services	5,834	6,254	6,064	6,864	25,016	6,203	6,577
2. Non-durable goods	2,883	2,994	3,090	3,532	12,499	2,981	3,100
3. Durable goods	665	893	676	933	3,167	791	979
4. Services	2,286	2,367	2,298	2,399	9,350	2,431	2,498
5. Government expenditure on goods and services	1,504	1,600	1,940	1,658	6,702	1,577	1,610
6. Business gross fixed capital formation	1,293	1,705	1,797	1,776	6,571	1,570	1,829
7. New residential construction	260	357	410	432	1,459	366	358
8. New non-residential construction	446	608	739	692	2,485	498	651
9. New machinery and equipment	587	740	648	652	2,627	706	820
10. Change in inventories	- 9	- 270	1,030	- 320	431	56	- 206
11. Non-farm business inventories	192	- 146	- 1	113	158	304	29
12. Farm inventories and grain in commercial channels	- 201	- 124	1,031	- 433	273	- 248	- 235
13. Exports of goods and services	1,718	2,091	2,285	2,320	8,414	1,969	2,489
14. Deduct: Imports of goods and services	- 1,862	- 2,165	- 2,146	- 2,301	- 8,474	- 2,151	- 2,521
15. Residual error of estimate	143	140	- 53	- 17	213	83	205
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	8,621	9,355	10,917	9,980	38,873	9,307	9,983

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, derived by dividing the value figures in Table 2 by the constant dollar figures in Table 9, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates (millions of dollars)

	1963					1964	
	I	II	III	IV	Year	I	II
1. Wages, salaries, and supplementary labour income	21,032	21,280	21,680	22,208	21,550	22,800	23,044
2. Military pay and allowances	556	608	600	628	598	576	580
3. Corporation profits before taxes	3,868	3,892	3,828	4,092	3,920	4,452	4,348
4. Deduct: Dividends paid to non-residents(1)	- 612	- 532	- 568	- 660	- 593	- 680	- 560
5. Rent, interest, and miscellaneous investment income	2,932	3,040	3,044	3,084	3,025	3,228	3,248
6. Accrued net income of farm operators from farm production(2)	1,788	1,724	1,712	1,920	1,786	1,268	1,580
7. Net income of non-farm unincorporated business(3)	2,448	2,416	2,448	2,492	2,451	2,532	2,500
8. Inventory valuation adjustment	- 112	- 300	- 176	- 148	- 184	- 172	- 288
9. NET NATIONAL INCOME AT FACTOR COST	31,900	32,128	32,568	33,616	32,553	34,004	34,452
10. Indirect taxes less subsidies	5,588	5,344	5,612	5,716	5,565	6,132	6,300
11. Capital consumption allowances and miscellaneous valuation adjustments	4,972	5,068	5,116	5,340	5,124	5,548	5,552
12. Residual error of estimate	- 360	- 20	- 220	- 340	- 235	- 172	- 304
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	42,100	42,520	43,076	44,332	43,007	45,512	46,000
14. (Gross national product at market prices excluding accrued net income of farm operators)	(40,312)	(40,796)	(41,364)	(42,412)	(41,221)	(44,244)	(44,420)

(1) See footnote 1, Table 1.

(2) Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

(3) Includes net income of independent professional practitioners.

TABLE 11. Gross National Expenditure, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates (millions of dollars)

	1963					1964	
	I	II	III	IV	Year	I	II
1. Personal expenditure on consumer goods and services ..	26,660	26,896	27,396	27,968	27,230	28,620	28,740
2. Government expenditure on goods and services(1, 2) ..	7,996	8,108	8,152	8,048	8,076	8,456	8,556
3. Business gross fixed capital formation(3)	7,128	7,436	7,500	7,916	7,495	8,928	8,324
4. New residential construction	1,584	1,676	1,680	1,880	1,705	2,340	1,752
5. New non-residential construction	2,668	2,864	2,812	2,900	2,811	3,024	3,128
6. New machinery and equipment	2,876	2,896	3,008	3,136	2,979	3,564	3,444
7. Value of physical change in inventories	464	340	580	452	459	228	420
8. Non-farm business inventories	76	- 60	264	384	166	468	620
9. Farm inventories and grain in commercial channels(4)	388	400	316	68	293	- 240	- 200
10. Exports of goods and services	8,552	8,980	9,032	9,652	9,054	9,980	10,564
11. Deduct: Imports of goods and services	- 9,064	- 9,256	- 9,804	- 10,044	- 9,542	- 10,872	- 10,912
12. Residual error of estimate	364	16	220	340	235	172	308
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	42,100	42,520	43,076	44,332	43,007	45,512	46,000
Detail of Farm Inventories and GICC:							
Value of grain crop production	1,380	1,380	1,380	1,384	1,381	1,128	1,128
Depletions of farm stocks of grain	- 1,064	- 1,020	- 1,160	- 1,224	- 1,117	- 1,424	- 1,368
Change in livestock inventories	8	72	20	96	49	- 8	76
Grain in commercial Channels	64	- 32	76	- 188	- 20	64	- 36

(1) See footnote 1, Table 2.

(2) For details of defence expenditures, see line 3, Table 15.

(3) See footnote 3, Table 2.

(4) In the seasonally adjusted series, the value of grain production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 2, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 12. Source of Personal Income, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964	
	I	II	III	IV	Year	I	II
1. Wages, salaries, and supplementary labour income	21,032	21,280	21,680	22,208	21,550	22,800	23,044
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 820	- 840	- 844	- 848	- 838	- 860	- 892
3. Military pay and allowances	556	608	600	628	598	576	580
4. Net income received by farm operators from farm production(1)	1,544	1,892	1,508	1,656	1,650	1,728	1,180
5. Net income of non-farm unincorporated business	2,448	2,416	2,448	2,492	2,451	2,532	2,500
6. Interest, dividends, and net rental income of persons(2)	3,396	3,476	3,488	3,588	3,487	3,668	3,684
Transfer payments to persons:							
7. From government (excluding interest)	3,860	3,784	3,764	3,908	3,829	4,124	4,200
8. Charitable contributions by corporations	44	44	44	44	44	44	44
9. PERSONAL INCOME	32,060	32,660	32,688	33,676	32,771	34,612	34,340

(1) This item differs from line 6, Table 10 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 13. Disposition of Personal Income, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964	
	I	II	III	IV	Year	I	II
1. Personal direct taxes	2,892	2,748	2,924	3,076	2,910	3,208	3,356
2. Income taxes	2,496	2,336	2,500	2,616	2,487	2,768	2,868
3. Succession duties and estate taxes	144	164	176	200	171	160	228
4. Miscellaneous	252	248	248	260	252	280	260
5. Personal expenditure on consumer goods and services	26,660	26,896	27,396	27,968	27,230	28,620	28,740
6. Non-durable goods	13,216	13,192	13,496	13,612	13,379	13,848	14,000
7. Durable goods	3,072	3,164	3,184	3,408	3,207	3,532	3,392
8. Services(1)	10,372	10,540	10,716	10,948	10,644	11,240	11,348
9. Personal net saving	2,508	3,016	2,368	2,632	2,631	2,784	2,244
10. PERSONAL INCOME	32,060	32,660	32,688	33,676	32,771	34,612	34,340
11. (Personal disposable income)(2)	(29,168)	(29,912)	(29,764)	(30,600)	(29,861)	(31,404)	(30,984)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 14. Government Revenue, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964	
	I	II	III	IV	Year	I	II
1. Direct taxes - Persons	2,892	2,748	2,924	3,076	2,910	3,208	3,356
2. Federal	2,192	2,056	2,212	2,312	2,193	2,412	2,520
3. Provincial and municipal	700	692	712	764	717	796	836
4. Direct taxes - Corporations	1,820	1,796	1,756	1,868	1,810	2,012	1,968
5. Federal	1,364	1,348	1,316	1,384	1,353	1,516	1,476
6. (Federal tax collections)	(1,312)	(1,316)	(1,324)	(1,360)	(1,328)	(1,380)	(1,804)
7. Provincial	456	448	440	484	457	496	492
8. (Provincial tax collections)	(408)	(416)	(516)	(448)	(447)	(428)	(508)
Withholding taxes:							
9. Federal	124	120	132	136	128	124	136
10. Indirect taxes	5,832	5,716	5,908	6,056	5,878	6,420	6,572
11. Federal	2,420	2,328	2,464	2,588	2,450	2,688	2,808
12. Provincial and municipal(1)	3,412	3,388	3,444	3,468	3,428	3,732	3,764
13. Investment income	1,308	1,384	1,356	1,284	1,333	1,500	1,496
14. Federal	484	536	548	420	497	588	564
15. Provincial and municipal	824	848	808	864	836	912	932
16. Employer and employee contributions to social insurance and government pension funds	820	840	844	848	838	860	892
17. Federal	528	536	536	532	533	552	572
18. Provincial and municipal	292	304	308	316	305	308	320
Transfers from federal:							
19. Provincial and municipal	1,192	1,224	1,092	1,152	1,165	1,168	1,280
20. TOTAL REVENUE	13,988	13,828	14,012	14,420	14,062	15,292	15,700
21. FEDERAL	7,112	6,924	7,208	7,372	7,154	7,880	8,076
22. PROVINCIAL and MUNICIPAL	6,876	6,904	6,804	7,048	6,908	7,412	7,624

(1) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 15. Government Expenditure, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964	
	I	II	III	IV	Year	I	II
1. Goods and services	7,996	8,108	8,152	8,048	8,076	8,456	8,556
2. Federal	3,000	2,936	2,940	2,832	2,927	3,100	3,020
3. (Defence)	(1,532)	(1,604)	(1,612)	(1,556)	(1,576)	(1,664)	(1,568)
4. Provincial and municipal	4,996	5,172	5,212	5,216	5,149	5,356	5,536
5. Transfer payments to persons (excluding interest on the public debt)	3,860	3,784	3,764	3,908	3,829	4,124	4,200
6. Federal	2,184	2,092	2,064	2,180	2,130	2,248	2,228
7. Provincial and municipal	1,676	1,692	1,700	1,728	1,699	1,876	1,972
8. Interest on the public debt	1,380	1,412	1,416	1,448	1,414	1,496	1,516
9. Federal	900	940	952	948	935	984	996
10. Provincial and municipal	480	472	464	500	479	512	520
11. Subsidies	244	372	296	340	313	288	272
12. Federal	208	336	256	300	275	244	232
13. Provincial	36	36	40	40	38	44	40
Transfers to other levels of government:							
14. Federal	1,192	1,224	1,092	1,152	1,165	1,168	1,280
15. Total expenditure	14,672	14,900	14,720	14,896	14,797	15,532	15,824
16. Federal	7,484	7,528	7,304	7,412	7,432	7,744	7,756
17. Provincial and municipal	7,188	7,372	7,416	7,484	7,365	7,788	8,068
18. Deficit (-) or surplus (+)	- 684	- 1,072	- 708	- 476	- 735	- 240	- 124
19. Federal	- 372	- 604	- 96	- 40	- 278	136	320
20. Provincial and municipal	- 312	- 468	- 612	- 436	- 457	- 376	- 444
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	13,988	13,828	14,012	14,420	14,062	15,292	15,700
22. FEDERAL	7,112	6,924	7,208	7,372	7,154	7,880	8,076
23. PROVINCIAL and MUNICIPAL	6,876	6,904	6,804	7,048	6,908	7,412	7,624

TABLE 16. Source of National Saving, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964	
	I	II	III	IV	Year	I	II
1. Personal net saving	2,508	3,016	2,368	2,632	2,631	2,784	2,244
2. Business gross saving	6,092	5,892	6,264	6,648	6,224	6,236	7,176
3. Undistributed corporation profits	876	992	944	1,044	964	1,148	1,224
4. Capital consumption allowances and miscellaneous valuation adjustments	4,972	5,068	5,116	5,340	5,124	5,548	5,552
5. Adjustment on grain transactions(1)	244	- 168	204	264	136	- 460	400
6. Inventory valuation adjustment	- 112	- 300	- 176	- 148	- 184	- 172	- 288
7. Government surplus (+) or deficit (-)	- 684	- 1,072	- 708	- 476	- 735	- 240	- 124
8. Residual error of estimate	- 360	- 20	- 220	- 340	- 235	- 172	- 304
9. Totals	7,444	7,516	7,528	8,316	7,701	8,436	8,704

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 17. Disposition of National Saving, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964	
	I	II	III	IV	Year	I	II
1. Business gross fixed capital formation	7,128	7,436	7,500	7,916	7,495	8,928	8,324
2. New residential construction	1,584	1,676	1,680	1,880	1,705	2,340	1,752
3. New non-residential construction	2,668	2,864	2,812	2,900	2,811	3,024	3,128
4. New machinery and equipment	2,876	2,896	3,008	3,136	2,979	3,564	3,444
5. Value of physical change in inventories	464	340	580	452	459	228	420
6. Surplus (+) or deficit (-) on current account with non-residents	- 512	- 276	- 772	- 392	- 488	- 892	- 348
7. Residual error of estimate	364	16	220	340	235	172	308
8. Totals	7,444	7,516	7,528	8,316	7,701	8,436	8,704

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1963 and 1964(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964	
	I	II	III	IV	Year	I	II
1. Personal expenditure on consumer goods and services	24,636	24,792	25,084	25,552	25,016	26,044	26,036
2. Non-durable goods	12,440	12,388	12,552	12,616	12,499	12,796	12,880
3. Durable goods	3,036	3,128	3,136	3,368	3,167	3,512	3,376
4. Services	9,160	9,276	9,396	9,568	9,350	9,736	9,780
5. Government expenditure on goods and services	6,736	6,784	6,728	6,560	6,702	6,868	6,844
6. Business gross fixed capital formation	6,316	6,564	6,564	6,840	6,571	7,652	7,036
7. New residential construction	1,380	1,448	1,444	1,564	1,459	1,936	1,424
8. New non-residential construction	2,380	2,540	2,484	2,536	2,485	2,640	2,700
9. New machinery and equipment	2,556	2,576	2,636	2,740	2,627	3,076	2,912
10. Change in inventories	420	312	576	416	431	244	392
11. Non-farm business inventories	72	- 52	264	348	158	460	572
12. Farm inventories and grain in commercial channels	348	364	312	68	273	- 216	- 180
13. Exports of goods and services	7,940	8,384	8,388	8,944	8,414	9,224	9,736
14. Deduct: Imports of goods and services	- 8,136	- 8,284	- 8,640	- 8,836	- 8,474	- 9,464	- 9,532
15. Residual error of estimate	332	16	200	304	213	152	272
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	38,244	38,568	38,900	39,780	38,873	40,720	40,784

(1) See footnote 1, Table 9.

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(QUARTERLY)



Canada. Statistics, Bureau of
//
NATIONAL ACCOUNTS:
INCOME AND EXPENDITURE
THIRD QUARTER 1964



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In order to obtain a complete historical record of the quarterly National Accounts, the following publications should be consulted:

"National Accounts, Income and Expenditure, by Quarters, 1947-61", for the years 1947-58.

"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1963", for the years 1959-62.

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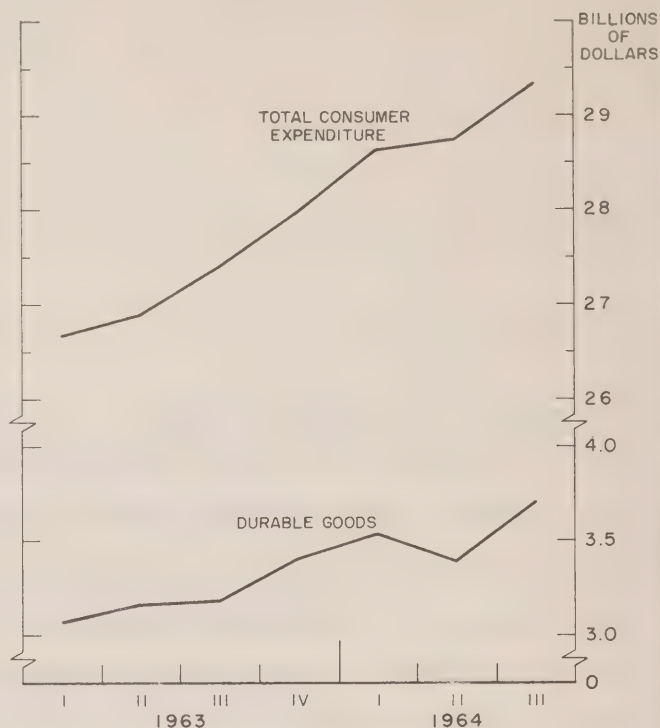
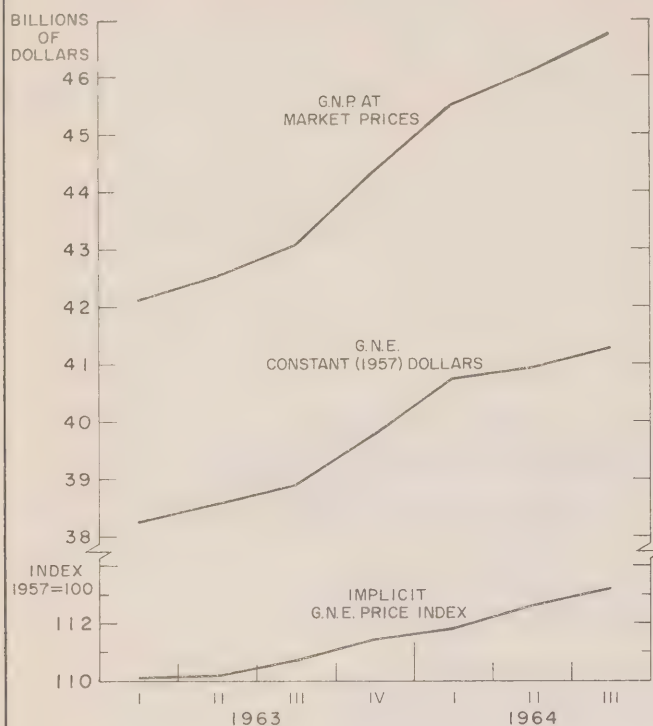
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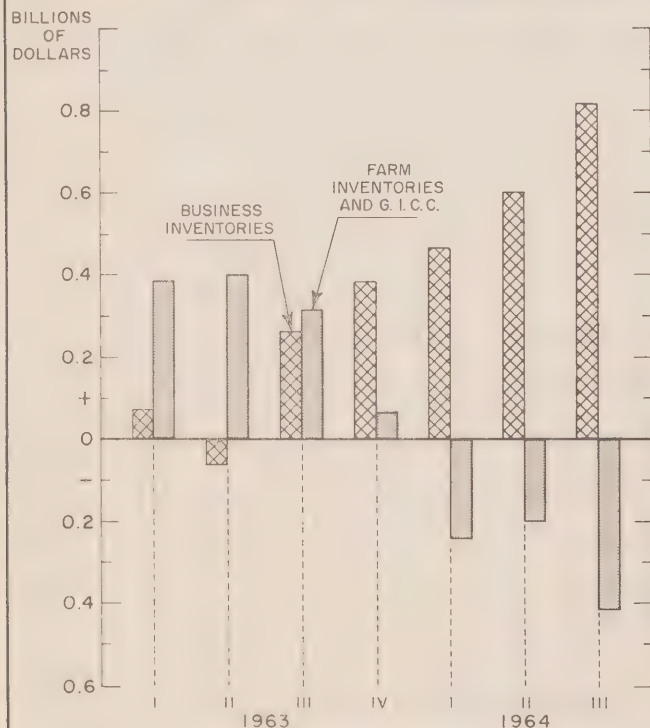
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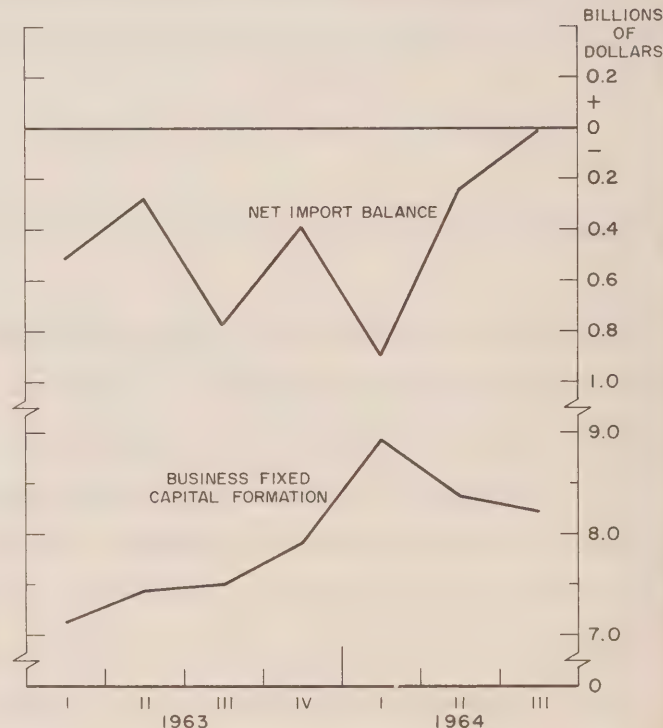
G.N.P. rose by 1.4 per cent in response to.....higher consumer outlays on durable goods, particularly automobiles



Offsets occurred in business and farm inventory movements



The net import balance improved, while business spending on capital declined



DATA IN THE ABOVE CHARTS ARE SEASONALLY ADJUSTED AT ANNUAL RATES.

INTRODUCTORY REVIEW

Gross National Product rose to a seasonally adjusted annual rate of \$46.7 billion in the third quarter of 1964, compared with \$46.1 billion in the preceding period. With prices higher by about one half of 1 per cent, the greater part of this 1.4 per cent advance in the value of national production represents a gain in the volume of output. The latest estimate of Gross National Product brings it above the cyclical low in the early part of 1961 by nearly 30 per cent in terms of value and 22 per cent in terms of volume.

There has been considerable comment in both Canada and the United States on the duration of the current expansion, which has lasted longer than any expansion in the post-war period. The broadness of its base has also been noted with all the components of final demand over the longer run contributing to the rise in the aggregate and stock-building playing a minor role.

The most important expansionary stimulus in the third quarter came from the consumer sector. Following little change in the second quarter, consumer spending rose at a rate roughly comparable with those of the closing quarter of 1963 and the opening quarter of 1964; expenditure on durables was particularly strong. Spending in the personal sector paralleled the rise in income available for spending. An accelerated rate of stock-building contributed to raising the demand for output. Support also came from the external sector; a further expansion in exports and a falling off in imports brought receipts and payments on international account virtually into balance. On the other hand, the investment sector acted as a restraining influence; outlays for the two construction components were virtually unchanged and, on the basis of available information, machinery and equipment appeared appreciably lower. Government operations were essentially neutral in that the combined government account moved from a small deficit in the second quarter to a small surplus in the third, reflecting continued buoyancy in revenue and some easing in expenditure.

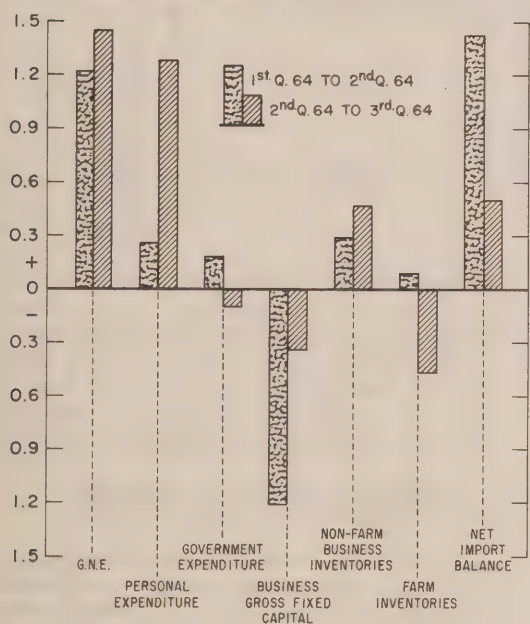
The salient developments on the income side in third quarter are a distinct pick-up in the rate of increase in labour income and a further slight easing in the high level of corporate profits.

It will be recalled that there was an upsurge in economic activity in the closing quarter of 1963 and the opening quarter of 1964 partly as a result of special influences, notably the heavy volume of wheat exports to the USSR, which had an immediate impact on farm income, the government's house-building incentive programme and possibly also decisions taken in anticipation of the progressive imposition of the tax on certain production machinery and building materials. Following two sharp quarterly gains, economic activity showed little forward impetus in the second quarter of this year and the third quarter advance is relatively moderate.

Gross National Product in the first three quarters of 1964 was somewhat more than 8 per cent higher than in the same period of 1963. With the data now available it is possible to suggest orders of magnitude for the year 1964 as a whole. If, for instance, it is assumed that there is no change other than seasonal in the fourth quarter, Gross National Product for 1964 will show a gain from 1963 of about $7\frac{1}{2}$ per cent; assuming a $1\frac{1}{2}$ per cent increase in the fourth quarter, the gain will be about 8 per cent.

Turning to consider the sources of strength in the first nine months of this year compared with the same period a year ago, it is apparent that all components of final demand, except government expenditure where the increase was relatively moderate, made an important contribution to the rise in the aggregate. Strength pervaded the consumer and investment sectors. While exports

Contribution to percentage
change in G.N.E. by component
(BASED ON SEASONALLY ADJUSTED DATA)



Quarter to Quarter Changes in Final Purchases
(Seasonally Adjusted at Annual Rates)
(millions of dollars)

	1Q'61 to 2Q'61	2Q'61 to 3Q'61	3Q'61 to 4Q'61	4Q'61 to 1Q'62	1Q'62 to 2Q'62	2Q'62 to 3Q'62	3Q'62 to 4Q'62	4Q'62 to 1Q'63	1Q'63 to 2Q'63	2Q'63 to 3Q'63	3Q'63 to 4Q'63	4Q'63 to 1Q'64	1Q'64 to 2Q'64	2Q'64 to 3Q'64
1. Personal expenditure	488	420	172	548	84	172	520	424	236	500	572	652	120	588
2. Government expenditure	- 108	280	192	4	404	- 264	72	264	112	44	- 104	408	80	- 48
3. Residential construction	64	32	- 40	80	40	32	- 36	8	92	4	200	460	- 588	- 4
4. Non-residential construction	28	76	48	- 32	- 88	- 68	24	68	196	- 52	88	124	56	16
5. Machinery and equipment	- 112	64	24	88	64	148	76	- 16	20	112	128	428	- 20	- 168
6. Exports of goods and services	144	412	84	40	272	- 8	192	120	428	52	620	328	616	112
7. Total final purchases	504	1,284	480	728	776	12	848	868	1,084	660	1,504	2,400	264	496
8. (Final domestic demand)	360	872	396	688	504	20	656	748	656	608	884	2,072	- 352	384

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in non-farm business inventories	340	- 556	820	- 644	228	424	- 552	- 80	- 136	324	120	84	132	216
10. Imports of goods and services	- 200	408	384	- 24	224	- 84	- 212	176	192	548	240	828	- 36	- 120
11. G.N.P. (ex. farm)	1,020	444	1,068	240	588	616	576	632	484	568	1,008	1,832	248	896

Constant (1957) Dollars

Quarter to Quarter Percentage Changes in Selected Items

12. Final domestic demand	0.8	2.0	0.7	1.1	0.6	- 0.5	1.2	1.2	1.2	0.6	1.5	4.1	- 1.5	0.5
13. Total final purchases	1.0	2.3	0.6	0.9	0.9	- 0.5	1.3	1.1	2.0	0.5	2.4	4.0	- 0.2	0.4
14. Gross national expenditure ..	2.8	1.3	2.4	1.6	0.7	1.2	1.0	1.4	0.8	0.9	2.3	2.4	0.5	0.9

rose very sharply, higher demand was met to a significant extent from foreign sources of supply, making for a substantial increase in imports. A significant build-up of business stocks added to the demands on the nation's productive capacity.

Percentage Changes in Components of Gross National Expenditure^{1/}

	3Q 1963 to 4Q 1963 Col.(1)	4Q 1963 to 1Q 1964 Col.(2)	1Q 1964 to 2Q 1964 Col.(3)	2Q 1964 to 3Q 1964 Col.(4)	3 Quarters 1963 to 3 Quarters 1964 Col.(5)
Personal expenditure	2.1	2.3	0.4	2.0	7.1
Government expenditure	-1.3	5.1	0.9	-0.6	5.5
Residential construction	11.9	24.5	-25.1	-0.2	16.3
Non-residential construction	3.1	4.3	1.9	0.5	10.4
Machinery and equipment	4.3	13.6	-0.6	-4.7	18.4
Exports	6.9	3.4	6.2	1.1	18.3
Total final demand	2.9	4.5	0.5	0.9	9.9
Inventories	-128M	-224M	+172M	-	-80M
(Business only)	+120M	+ 84M	+132M	+216M	+473M
Imports	2.4	8.2	-0.3	-1.1	15.3
Gross National Expenditure (value)	2.9	2.7	1.2	1.4	8.3
Volume component	2.3	2.4	0.5	0.9	6.2

^{1/}All comparisons except 3 Quarters 1963 to 3 Quarters 1964 are based on data seasonally adjusted at annual rates.

Percentage Changes in Major Income Components^{1/}

	3Q 1963 to 4Q 1963 Col.(1)	4Q 1963 to 1Q 1964 Col.(2)	1Q 1964 to 2Q 1964 Col.(3)	2Q 1964 to 3Q 1964 Col.(4)	3 Quarters 1963 to 3 Quarters 1964 Col.(5)
Wages, salaries and supplementary labour income	2.4	2.7	1.1	2.6	8.6
Transfer payments	3.8	5.5	1.8	-0.3	9.7
Personal income	3.0	2.8	-0.8	2.0	6.4
Corporation profits (before dividends paid abroad)	6.9	8.8	-2.6	-2.1	12.6
Rent, interest and miscellaneous investment income	1.3	4.7	1.0	-0.2	7.6
Net income of non-farm unincorporated business	1.8	1.6	-1.3	0.5	3.2
Net national income at factor cost	3.2	1.2	1.4	1.5	6.9

Selected Government Revenues
(All Levels of Government)

Direct personal taxes	5.2	4.3	4.7	1.9	17.3
Corporation tax liabilities	6.4	7.7	-2.2	-1.0	9.6
Indirect taxes	2.5	6.0	2.4	2.4	13.6

^{1/}All comparisons except 3 Quarters 1963 to 3 Quarters 1964 are based on data seasonally adjusted at annual rates.

Price Movements

As is shown in the accompanying table, the over-all price increase of one half of 1 per cent in the third quarter reflected some advance in the price element of most components of expenditure. Services largely account for fractionally higher prices in the consumer sector. Machinery and equipment prices levelled off, following the increase associated with the sales tax recorded in the previous quarter.

A comparison of the first nine months of 1964 with the same period of 1963 indicates that about three-fourths of the increase in the value of production represented a gain in real terms.

Per Cent Changes - Current Dollars, Constant Dollars and Prices

	2nd Quarter 1964 to 3rd Quarter 1964			3 Quarters 1963 ^{2/} to 3 Quarters 1964		
	Value	Volume	Price ^{1/}	Value	Volume	Price
Personal expenditure	2.0	1.8	0.2	7.1	5.5	1.6
Durable goods	9.2	9.8	-0.6	13.7	14.8	-1.0
Non-durable goods	0.9	0.6	0.4	5.2	3.3	1.9
Services	1.3	0.7	0.6	7.6	5.5	2.0
Government expenditure	-0.6	-1.8	1.3	5.5	1.4	3.9
Gross fixed capital formation	-1.9	-2.2	0.3	15.0	10.6	4.0
New residential construction	-0.2	-1.4	1.2	16.3	9.5	6.1
New non-residential construction	0.5	-	0.5	10.4	7.6	2.6
New machinery and equipment	-4.7	-4.5	-0.3	18.4	13.8	4.0
Exports of goods and services	1.1	-	1.1	18.3	16.6	1.4
Imports of goods and services	-1.1	-1.0	-0.1	15.3	12.7	2.2
Gross National Expenditure	1.4	0.9	0.5 ^{2/}	8.3	6.2	2.0

1/ Implicit price indexes.

2/ The base weighted price index of Gross National Expenditure seasonally adjusted showed an increase of 0.5 per cent between the second and third quarters.

3/ Data not adjusted for seasonal variation.

DEVELOPMENTS IN THE THIRD QUARTER

Consumer Expenditure

After showing only a small increment in the second quarter, personal expenditure, seasonally adjusted, increased by 2 per cent in the third quarter, the same rate of increase as in the latter part of 1963 and early 1964. The increase in the third quarter was supported by an equivalent rise in personal income when labour income showed above average growth. Price increases on average were fractional and centred mainly in services.

Expenditures on goods provided the major impetus as durable goods recovered from the downturn of the previous quarter and, at 9 per cent, registered one of the largest increases in several years. As usual, purchases of cars were the most important element in the movement of durables; net purchase of new and used cars increased by more than 15 per cent. Demand was strong for cars of both North American and overseas manufacture. Purchases of household durables showed increases ranging from ½ per cent to 2 per cent.

Purchases of non-durable goods increased by about 1 per cent with demand for food and clothing contributing to the increase. Purchases of food increased by 1 per cent while clothing increased by 4 per cent. Purchases of alcoholic beverages also increased by $1\frac{1}{2}$ per cent.

Expenditures on services increased by almost $1\frac{1}{2}$ per cent, with several elements contributing to the rise. Shelter expenses increased by almost 2 per cent while other increases were registered by purchased transportation and personal services.

Business Gross Fixed Capital Formation

At a seasonally adjusted annual rate of \$8,220 million, capital spending fell about 2 per cent below the second quarter. The movement in the total was determined by a 5 per cent decline in outlays for machinery and equipment from their previous high level; outlays for non-residential construction were somewhat higher and for housing virtually unchanged.

The value of new residential construction at annual rates was \$1,752 and \$1,748 million, after discounting seasonal factors, in the second and third quarters. This stability reflects offsetting movements of a 13 per cent rise and a 13 per cent drop in seasonally adjusted figures of housing starts and completions. Starts at annual rates moved from 134,200 to 152,300; completions from 148,000 to 128,900, and as these figures suggest there was some increase in the number of dwelling units under construction. The main strength again centred in multiple dwelling units, although a pick-up in single dwellings became apparent at the end of the quarter as CMHC commenced its direct lending slightly earlier than in 1963.

The annual rate of new non-residential construction rose slightly from \$3,080 to \$3,096 million, while expenditure on new machinery and equipment dropped from \$3,544 to \$3,376 million. While business outlays on new machinery and equipment are estimated to have been lower, detailed import figures for the quarter are not yet available to substantiate part of this estimate.

Non-Farm Business Inventories

Investment in business inventories was one of the important factors raising the level of economic activity in the third quarter. Seasonally adjusted estimates show an accumulation of \$816 million at annual rates compared with \$600 million in the previous quarter. More than two-thirds of the increase occurred in manufacturing, with the rest at the wholesale level and, to a lesser degree, in the total of other industries; offsetting movements left stocks at the retail level almost unchanged.

While accumulation in manufacturing was general among durable and non-durable lines, it was dominated by the substantial build-up in the transportation equipment industries. Another industry with more than usual re-stocking was textiles where inventories continued to be raised in response to the optimistic outlook in the industry reflected in part by the high level of shipments and unfilled orders in 1964.

With higher manufacturing production and slightly lower shipments, additions to stocks took place at all stages of production, the highest being in stocks of finished goods. Unfilled orders showed an increase although the level still does not suggest undue pressure on capacity in relation to the current level of shipments. For the industry as a whole, the seasonally adjusted stock-to-shipments ratio increased slightly.

In wholesale, the re-stocking was also general. The accumulation in durables, almost three times more than that in non-durables, was concentrated mainly in the industrial and transportation equipment and supplies trades. The stock-to-sales ratio for the industry as a whole remained unchanged since the increase in the ratio in durables was offset by the decrease in non-durables.

In retail, the substantial drop in the rate of increase to a virtually unchanged level of stocks was caused by the liquidation of durables, especially of cars, reflecting strong demand. The stock-to-sales ratio for cars was the lowest since 1955. On the other hand, non-durable lines continued to increase their stocks at rates higher than those of the previous quarter. This was accompanied by a less-than-average advance in consumer spending for non-durable goods in the third quarter. For the industry as a whole, the stock-to-sales ratio dropped, but it was still above average of the past four years.

Exports and Imports of Goods and Services

The deficit in the external account virtually disappeared, dropping from an annual rate, after seasonal adjustment, of \$240 million in the second quarter to \$8 million in the third as exports of goods and services rose by 1 per cent to an annual rate of \$10,708 million and imports fell by 1 per cent -- moving from \$10,836 to \$10,716 million. The improvement in the import balance over the longer run was due to pronounced increases in merchandise exports, some of which were of a special nature; although in the current quarter declining imports were of greater significance. The deficit on non-merchandise transactions continues to expand, although somewhat erratically, and in the third quarter was the second highest on record.

Exports and Imports of Goods and Services (Seasonally adjusted, at annual rates)

	<u>Goods</u>			<u>Services</u>			Current balance
	Exports	Imports	Net	Exports	Imports	Net	
(millions of dollars)							
1963 - 1st qtr.	6,604	6,152	452	1,948	2,912	-964	-512
2nd qtr.	7,008	6,400	608	1,972	2,856	-884	-276
3rd qtr.	7,048	6,768	280	1,984	3,036	-1,052	-772
4th qtr.	7,596	7,000	596	2,056	3,044	-988	-392
1964 - 1st qtr.	7,788	7,532	256	2,192	3,340	-1,148	-892
2nd qtr.	8,468	7,616	852	2,128	3,220	-1,092	-240
3rd qtr.	8,552	7,404	1,148	2,156	3,312	-1,156	-8

Exports of merchandise rose 1 per cent while imports fell by almost 3 per cent, raising the surplus on goods, seasonally adjusted, from \$852 to \$1,148 million. With the deficit on non-merchandise trade \$64 million higher, the current account deficit fell \$232 million.

Merchandise export figures indicate that gains were made principally in the United States market, unlike the second quarter when they mainly reflected the sale of wheat to the USSR and other countries in Eastern Europe. Sales abroad increased for agricultural machinery, newsprint, zinc, fertilizer, nickel and ores, aluminum, natural gas, copper and wheat. Commodity detail is not available to identify changes in merchandise imports.

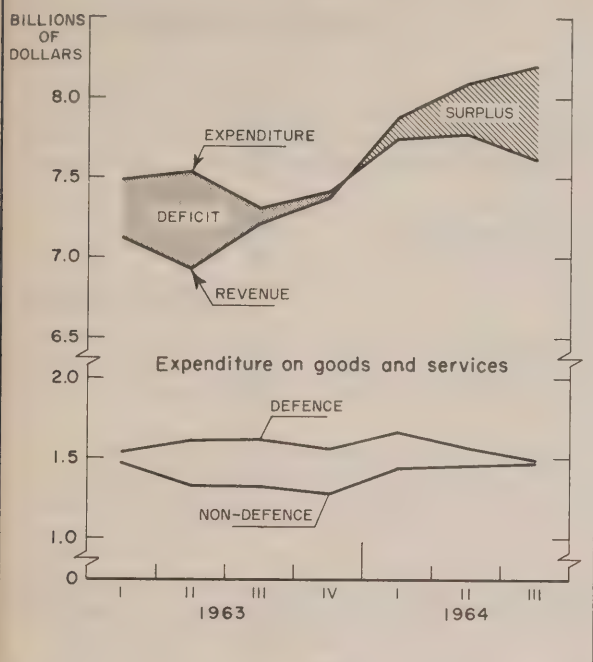
The non-merchandise trade deficit moved from \$1,092 to \$1,156 million, reflecting some deterioration in the interest and dividend account and in the miscellaneous service account (personal remittances, official contributions, business services, etc.).

The Government Sector

For the first time since 1957, total revenues of all governments combined exceeded total expenditures, with the result that on a National Accounts basis there was a shift from a deficit of \$100 million, seasonally adjusted at annual rates, in the second quarter to a surplus of \$148 million in the third quarter. All the gain occurred at the federal level where the surplus rose to a rate of \$588 million, continuing the trend evident since the second quarter of 1963. As for the provincial and municipal governments, the deficit widened from a rate of \$412 million in the second quarter to a rate of \$440 million in the third.

Total revenues of all governments rose to a level of \$15,860 million, an increase of about 1 per cent from the previous quarter. The bulk of the increase was accounted for at the federal level, the major gains being in personal direct taxes and in indirect taxes, the latter due mainly to higher returns from excise taxes. Total revenues at the provincial-municipal level were almost unchanged, as a result of largely offsetting movements; an increase of \$60 million in indirect taxes, reflecting higher returns from sales taxes was partially offset by declines in other components.

Federal government
revenue and expenditure
(SEASONALLY ADJUSTED AT ANNUAL RATES)



On the other hand, total expenditures of all governments decreased about 1 per cent from \$15,828 million in the second quarter to \$15,712 million in the third quarter, with declines occurring in almost all of the components, particularly at the federal level. Federal expenditures on goods and services dropped by over 2 per cent, with lower outlays on defence and a slight advance in non-defence expenditures. The other items of federal expenditure showed declines of varying degree. Expenditures at the provincial-municipal level increased slightly with small gains in expenditures on goods and services and in transfer payments to persons.

National Income

Wages and salaries rose almost 3 per cent in the third quarter, one of the largest gains since 1956 and similar to those recorded in the last quarter of 1963 and the first quarter of this year. Partly as a result of retroactive payments, the rate of advance was higher in the service than in the goods-producing industries.

The rise in wages and salaries of over 2 per cent in the goods-producing industries in the third quarter of 1964 is mainly attributable to manufacturing, where there was a distinct improvement from the moderate advance evident in the preceding period. Although income in construction rose nearly 1 per cent it was still below the unusually

high level of the first quarter. Primary industries were up nearly 2 per cent in the third quarter.

Each of the industry groups within the service-producing segment recorded quarter-to-quarter increases roughly equivalent to the service-producing total of 3 per cent.

Corporation profits, (before taxes and before dividends paid to non-residents), dropped by about 2 per cent in the third quarter, following a similar movement in the preceding period. However, profits remained high, 42 per cent above the cyclical low in early 1961.

The drop of 2 per cent in profits from the second to the third quarter reflects offsetting movements within the component industries. The largest drop (7 per cent) occurred in manufacturing but this was partially offset by increases in mining and retail trade.

Within manufacturing, declines in profits from the second to the third quarters were widespread, as indicated in the accompanying table.

Percentage Changes in Corporation Profits

	2nd Q to 3rd Q - 1964 (Seasonally Adjusted)
Mines, Quarries and Oilwells	11
Manufacturing	-7
Foods and beverages	4
Wood products	-4
Paper products	-8
Metal industries (including transportation)	-14
Petroleum and coal	-13
Chemicals	-14
Other manufacturing	1
Transportation, storage and communication	1
Electric power, gas and water utilities	-11
Wholesale trade	-4
Retail trade	14
Finance, insurance and real estate	-1
Community, business and personal service	4
Other non-manufacturing	-
Total, all industries	-2

Seasonally adjusted net income of non-farm unincorporated business increased fractionally in the third quarter, with most industries showing little if any change. Higher than average increases in retail trade and service industries were largely offset by decreases in construction and finance.

Seasonally adjusted, accrued net income of farm operators dropped from a level of \$1,576 million in the second quarter to a level of \$1,348 million in the third, with declines distributed equally between grain and livestock production. Higher operating expenses also contributed. Seasonally adjusted, net income of farm operators (which is a component of personal income) remained virtually unchanged in the quarter.

Production by Industry

Seasonally adjusted real domestic product less agriculture for the third quarter of 1964 was almost 1 per cent higher than in the second quarter, but fell just short of the peak attained in the first quarter of this year. It was at a level approximately 21 per cent above its cyclical low in the first quarter of 1961.

Gains in the quarter were fairly widespread, in contrast to the rather exceptional influences at work during the first and second quarters when construction and related industries accounted for the bulk of the change.

Manufacturing, which increased by 1 per cent, was the largest single contributor to the gain in non-agricultural output. This was almost entirely the result of an increase of nearly 2 per cent in durables. Within durables, transportation equipment showed the largest gain, over 7 per cent, with all components contributing. However, motor vehicles (8%) and motor vehicle parts (11%) accounted for the major portion of the gain. Non-durable manufacturing increased only fractionally, largely as a result of a 6 per cent gain in clothing and a 3 per cent gain in chemicals.

Within trade, a slight decline in wholesale trade was more than offset by a 2 per cent gain at the retail level, resulting in a one per cent expansion in total trade volume. At the retail level, motor vehicle dealers, clothing stores and department stores, with increases of up to 6 per cent, accounted for most of the gain.

Further increases occurred in finance, insurance and real estate (1%), the community, business, recreation and personal service group (1%) and electric power and gas utilities (3%), which together contributed as much to the gain in non-agricultural output as did manufacturing. Returning to its first quarter level following a decline in the second quarter, forestry, with an increase of nearly 10 per cent matched the contribution of total trade to the aggregate expansion. Transportation, storage and communication increased fractionally.

Small decreases in output occurred in construction and in public administration and defence, while mining declined by about 3 per cent. All three components of mining showed decreases in the third quarter, but the major portion of the drop can be accounted for by a decline in the other metal component of metal mining, which reflected curtailments in uranium mining operations.

DEVELOPMENTS IN THE THREE QUARTERS OF 1964

Demand Components

The increase of 7 per cent in consumer expenditure between the first three quarters of 1964 and the same period of 1963 was more than 1 per cent greater than the increase between the years 1962 and 1963, with all the major components showing larger increases.

The largest relative gain was shown by durable goods which increased by almost 14 per cent in the first three quarters of the year, over 4 per cent more than for the year 1963. Much of the demand was centred on cars, with net purchases of new and used cars increasing by 18 per cent. Sales, over the three quarters, of cars of North American manufacture showed increases comparable with the previous year while sales of cars of overseas manufacture also showed large increases after having been down sharply in 1963. All other durables showed greater increases for the nine months of 1964 than for the year 1963, with increases ranging from 5 per cent for jewellery and watches to 9 per cent for household durables.

Percentage Change in Consumer Expenditure

	Year 1962 to Year 1963	3 Quarters 1963 to 3 Quarters 1964
Food	4.3	4.7
Clothing	4.0	5.8
Other	4.2	5.5
Total Non-durable goods	4.2	5.2
Appliances and radios	3.2	9.5
Home furnishings and furniture	5.1	9.4
Autos (new and used)	14.5	17.8
Other	5.7	8.2
Total Durable goods	9.5	13.7
Total all goods	5.2	6.8
Total services	6.8	7.6
Total Consumer Expenditure	5.8	7.1

Non-durable goods showed a larger increase for the 3 quarters of 1964 than between the years 1962 and 1963. Major increases were registered by food and alcoholic beverages which increased 5 and 7 per cent respectively. Consumption of tobacco products was unchanged over the three quarters as a sharp decline in the first quarter was followed by larger than usual increases in the two following quarters. With the exception of fuel, which decreased slightly, other non-durable goods showed greater increases for the first three quarters of 1964 than for the year 1963.

The increase in expenditures on services for the three quarters was broadly in line with the whole year 1963. Except for shelter, most of the service items showed higher gains in 1964 than for the year 1963. Expenditures on personal services increased by 9 per cent while transportation services rose by 4 per cent. Shelter expenses were up by 6 per cent, 2 per cent less than registered for the year 1963.

Net expenditure abroad, an adjustment to personal expenditure, to include payments abroad by Canadians and to exclude payments in Canada by non-residents, increased noticeably as payments by Canadians travelling abroad increased more than receipts from non-residents.

Capital investment was 15 per cent higher in the first three quarters of 1964 than in the same period of 1963. The rates of increase were high for all three components but the greatest strength manifested itself in machinery and equipment where outlays increased by more than 18 per cent; expenditures on non-residential construction were up over 10 per cent, making for a 15 per cent increase in investment in plant and equipment. It is interesting to note that, seasonally adjusted, plant and equipment outlays in the United States were up 11½ per cent in the same time comparison.

Outlays for housing were 16 per cent higher. There was a considerable change in the composition of housing between the two periods, with a large increase in apartment starts and some decline in starts of single dwelling units.

The pattern of housing outlays in the recent past appears to have been affected by special influences: the government's winter housing incentive programme (initiated in 1963 and being renewed this winter) and possibly also by decisions taken in anticipation of the progressive imposition of the tax on building materials.

A trend towards a build-up of stocks was resumed in the third quarter of 1963 and since then inventory accumulation has gone on at varying rates. For the three quarters of 1964 the value of the physical change in business inventories was \$509 million, an increase of \$473 million over the same period of 1963. However, this increase has not played as significant a role in the current expansion of economic activity as in previous expansions, and the inventory held by business does not appear to be unduly high in relation to output. Almost one-half of this increase of \$473 million was in manufacturing; retail trades accounted for more than one-third; the remainder was in wholesale trades and the total of the other industries.

During the first three quarters of 1964 the deficit in the external account on a national accounts basis narrowed to \$263 million from \$397 million in the same period of the previous year. This change of \$134 million resulted from an improvement of \$255 million in merchandise trade, partly offset by a deterioration of \$121 million in non-merchandise trade. About half of this change in non-merchandise trade can be attributed to the growing deficit in the interest and dividend account, and about one-third to a larger deficit in the travel account.

Exports and Imports of Goods and Services
(Not Seasonally Adjusted)

	Goods			Services			Current balance
	Exports	Imports	Net	Exports	Imports	Net	
(millions of dollars)							
1st 3 quarters							
1963	5,055	4,769	286	1,497	2,180	-683	-397
1964	6,111	5,570	541	1,637	2,441	-804	-263
Per cent change	20.9	16.8		9.4	12.0		

The 21 per cent increase in the value of merchandise exports was general although the gain was largely determined by higher sales of such commodities as wheat, iron ore, wood pulp, newsprint, aircraft and non-ferrous metals. However, the relative gains in exports of finished manufactured products such as combine reaper-threshers and passenger automobiles and chassis was particularly noticeable.

Full commodity detail is not available to account for the 17 per cent increase in merchandise imports, but seven months data suggest strength in Canadian demand for imported machinery, automobile parts, engines, tractors, fibres, textiles and products and plate steel.

The Government Sector

Reflecting the continuing high levels of income and employment, total revenues of all governments combined increased over 12 per cent in the first nine months of 1964 compared with the first nine months of 1963. Total expenditures of all governments combined increased less than total revenues with the result that the deficit narrowed considerably from \$712 million to \$168 million. The federal government moved from a deficit of \$405 million in 1963 to a surplus of \$110 million in 1964, as sharply increased revenues more than offset a modest increase in expenditures. At the combined provincial-municipal level revenues also rose more sharply than expenditures, narrowing the deficit from \$307 million in the first nine months of 1963 to \$278 million in the same period of 1964.

On the revenue side, receipts from indirect taxes at all levels rose sharply between the two periods and accounted for almost half of the increase in total revenues. There was an increase of almost 18 per cent in federal indirect tax revenues which partly reflected the higher sales tax rate on production machinery and building materials. Indirect tax revenues of provincial and municipal governments combined rose 11 per cent, mainly attributable to larger returns from sales and gasoline taxes and increases in real property tax revenue. Receipts from personal direct taxes and corporation direct tax liabilities also increased substantially at all levels.

Total expenditures of all governments increased by \$735 million in the first nine months of 1964 over the first nine months of 1963 with over \$600 million accounted for by gains in expenditures on goods and services and transfer payments to persons. Federal outlays on goods and services rose by over 3 per cent with all of the increase occurring in non-defence expenditures. Provincial-municipal expenditures on goods and services rose more sharply than the federal government estimate mainly due to increases in salaries, wages and supplementary labour income.

There was a rise of almost 10 per cent in transfer payments to persons from all governments combined with the major gain made at the provincial-municipal level. The increases in provincial-municipal transfer payments were widespread with higher grants to hospitals, educational and other welfare-type institutions being the most important.

National Income

Reflecting an improvement in employment and some increase in wage rates, wages and salaries in the first three quarters of 1964 were nearly 9 per cent higher than in the corresponding period of 1963. The rates of gain in the more cyclically sensitive goods-producing industries were only slightly higher than in the service-producing industries. The increases in manufacturing and construction were over 9 per cent, compared with a smaller gain of $6\frac{1}{2}$ per cent in the primary industries as a group. Among the service-producing industries the highest rate of gain -- 11 per cent -- occurred in finance and service; transportation, communication and other utilities and public administration recorded gains of about 6 per cent.

Corporate profits (before taxes and dividends paid abroad), having risen sharply in the two winter quarters, eased a little in the two mid-quarters of 1964. The first three quarters of 1964 nevertheless show a gain of almost 13 per cent from the same period of 1963. One of the major gains was in the transportation, communication and storage group (18 per cent). Profits in the mines, quarries and oil wells group also advanced sharply (19 per cent). The gain in manufacturing was more moderate (13 per cent), the major gains being in petroleum and coal (25 per cent) metal industries (15 per cent), and chemicals (12 per cent).

Accrued net income of farm operators from farm production decreased by almost 18 per cent in the first three quarters of 1964 compared with the same period in 1963. The larger portion can be attributed to the lower value of the 1964 crop, which was almost 19 per cent less than that in 1963 and a smaller portion for lower livestock production. Cash income from the sale of agricultural products was nearly 9 per cent higher in 1964 than in 1963, reflecting increased grain sales.

In a comparison of the first three quarters of 1964 with the first three quarters of 1963, non-farm net income increased by 3 per cent. Increases were general by industry with the exception of retail trade and transportation, which showed decreases of 4 per cent and 2 per cent, respectively.

Production by industry

Real domestic product less agriculture for the first nine months of 1964 was 7 per cent higher than in the corresponding period of 1963. About one third of the aggregate increase was accounted for by a 9 per cent gain in manufacturing. Durable manufacturing, in particular, expanded rapidly during this period (11 per cent), largely as a result of the gains in the output of the motor vehicles and parts industries, which increased by more than 20 per cent, and expansion in iron and steel production. Other industry groups registering increases of about 11 per cent were transportation, storage, electric power and gas utilities, and forestry. Mining and wholesale trade increased by about 10 per cent, while non-durable manufacturing and retail trade showed gains of 7 and 6 per cent, respectively. Construction, which expanded sharply during the first quarter, showed a 5 per cent increase in the nine month comparison, as the initial gains were offset by declines in the second and third quarters.

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income ..	5,058	5,359	5,567	5,566	21,550	5,482	5,809	6,074
2. Military pay and allowances	136	157	148	157	598	140	150	147
3. Corporation profits before taxes	788	1,068	998	1,066	3,920	917	1,197	1,100
4. Deduct: Dividends paid to non-residents(1)	- 145	- 118	- 121	- 209	- 593	- 172	- 126	- 143
5. Rent, interest, and miscellaneous investment income	709	736	762	818	3,025	785	784	805
6. Accrued net income of farm operators from farm production(2)	60	147	1,384	195	1,786	11	185	1,113
7. Net income of non-farm unincorporated business(3) .	514	614	594	729	2,451	535	633	609
8. Inventory valuation adjustment(4)	- 28	- 75	- 44	- 37	- 184	- 43	- 66	13
9. NET NATIONAL INCOME AT FACTOR COST	7,092	7,888	9,288	8,285	32,553	7,655	8,566	9,718
10. Indirect taxes less subsidies	1,359	1,338	1,412	1,456	5,565	1,500	1,588	1,637
11. Capital consumption allowances and miscellaneous valuation adjustments	1,196	1,281	1,277	1,370	5,124	1,338	1,403	1,396
12. Residual error of estimate	- 157	- 155	59	18	- 235	- 93	- 213	21
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	9,490	10,352	12,036	11,129	43,007	10,400	11,344	12,772
14. (Gross national product at market prices excluding accrued net income of farm operators)	(9,430)	(10,205)	(10,652)	(10,934)	(41,221)	(10,389)	(11,159)	(11,659)

(1) Includes the withholding tax applicable to this item.

(2) Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

(3) Includes net income of independent professional practitioners.

(4) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	6,307	6,779	6,647	7,497	27,230	6,804	7,245	7,094
2. Government expenditure on goods and services(1, 2) .	1,843	1,921	2,257	2,055	8,076	1,997	2,028	2,325
3. Business gross fixed capital formation(3)	1,460	1,930	2,053	2,052	7,495	1,833	2,196	2,229
4. New residential construction	298	413	477	517	1,705	442	440	500
5. New non-residential construction	502	686	836	787	2,811	573	755	907
6. New machinery and equipment	660	831	740	748	2,979	818	1,001	822
7. Value of physical change in inventories(4)	- 51	- 247	1,122	- 365	459	7	- 185	922
8. Non-farm business inventories	188	- 161	9	130	166	297	17	195
9. Farm inventories and grain in commercial channels	- 239	- 86	1,113	- 495	293	- 290	- 202	727
10. Exports of goods and services	1,844	2,251	2,457	2,502	9,054	2,129	2,714	2,905
11. Deduct: Imports of goods and services	- 2,071	- 2,436	- 2,442	- 2,593	- 9,542	- 2,463	- 2,866	- 2,682
12. Residual error of estimate	158	154	- 58	- 19	235	93	212	- 21
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	9,490	10,352	12,036	11,129	43,007	10,400	11,344	12,772

(1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

(2) For details of defence expenditure see line 3, Table 6.

(3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

(4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Source of Personal Income, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	5,058	5,359	5,567	5,566	21,550	5,482	5,809	6,074
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 207	- 202	- 213	- 216	- 838	- 218	- 215	- 222
3. Military pay and allowances	136	157	148	157	598	140	150	147
4. Net income received by farm operators from farm production(1)	32	200	1,327	91	1,650	162	95	1,022
5. Net income of non-farm unincorporated business	514	614	594	729	2,451	535	633	609
6. Interest, dividends, and net rental income of persons(2)	831	880	853	923	3,487	898	929	920
Transfer payments to persons:								
7. From government (excluding interest)	1,092	936	875	926	3,829	1,153	1,049	983
8. Charitable contributions by corporations	11	11	11	11	44	11	11	12
9. PERSONAL INCOME	7,467	7,955	9,162	8,187	32,771	8,163	8,461	9,545

(1) This item differs from line 6, Table 1, by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 4. Disposition of Personal Income, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Personal direct taxes	682	742	720	766	2,910	764	904	847
2. Income taxes	556	646	628	657	2,487	623	791	749
3. Succession duties and estate taxes	36	41	44	50	171	40	57	39
4. Miscellaneous	90	55	48	59	252	101	56	59
5. Personal expenditure on consumer goods and services ..	6,307	6,779	6,647	7,497	27,230	6,804	7,245	7,094
6. Non-durable goods	3,051	3,184	3,337	3,807	13,379	3,211	3,364	3,497
7. Durable goods	673	905	683	946	3,207	794	983	793
8. Services(1)	2,583	2,690	2,627	2,744	10,644	2,799	2,898	2,804
9. Personal net saving	478	434	1,795	- 76	2,631	595	312	1,604
10. Personal saving excluding change in farm inventories	697	484	764	373	2,318	865	445	871
11. Value of physical change in farm inventories	- 219	- 50	1,031	- 449	313	- 270	- 133	733
12. PERSONAL INCOME	7,467	7,955	9,162	8,187	32,771	8,163	8,461	9,545
13. (Personal disposable income)(2)	(6,785)	(7,213)	(8,442)	(7,421)	(29,861)	(7,399)	(7,557)	(8,698)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 5. Government Revenue, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Direct taxes - Persons	682	742	720	766	2,910	764	904	847
2. Federal	488	572	555	578	2,193	549	699	648
3. Provincial and municipal	194	170	165	188	717	215	205	199
4. Direct taxes - Corporations	388	484	454	484	1,810	431	530	492
5. Federal	290	361	339	363	1,353	322	395	367
6. (Federal tax collections)	(305)	(373)	(338)	(312)	(1,328)	(324)	(520)	(375)
7. Provincial	98	123	115	121	457	109	135	125
8. (Provincial tax collections)	(110)	(107)	(129)	(101)	(447)	(113)	(131)	(131)
Withholding taxes:								
9. Federal	31	30	24	43	128	30	34	25
10. Indirect taxes	1,416	1,428	1,495	1,539	5,878	1,568	1,652	1,711
11. Federal	551	592	621	686	2,450	616	719	739
12. Provincial and municipal	865	836	874	853	3,428	952	933	972
13. Investment income	295	337	330	371	1,333	347	361	350
14. Federal	92	138	133	134	497	120	140	133
15. Provincial and municipal	203	199	197	237	836	227	221	217
16. Employer and employee contributions to social insurance and government funds	207	202	213	216	838	218	215	222
17. Federal	134	126	136	137	533	141	135	140
18. Provincial and municipal	73	76	77	79	305	77	80	82
Transfers from Federal:								
19. Provincial and municipal	303	309	264	289	1,165	298	328	306
20. TOTAL REVENUE	3,322	3,532	3,500	3,708	14,062	3,656	4,024	3,953
21. FEDERAL	1,586	1,819	1,808	1,941	7,154	1,778	2,122	2,052
22. PROVINCIAL and MUNICIPAL	1,736	1,713	1,692	1,767	6,908	1,878	1,902	1,901

TABLE 6. Government Expenditure, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Goods and services	1,843	1,921	2,257	2,055	8,076	1,997	2,028	2,325
2. Federal	735	713	771	708	2,927	798	731	765
3. (Defence)	(409)	(375)	(392)	(400)	(1,576)	(456)	(364)	(357)
4. Provincial and municipal	1,108	1,208	1,486	1,347	5,149	1,199	1,297	1,560
5. Transfer payments to persons (excluding interest on the public debt)	1,092	936	875	926	3,829	1,153	1,049	983
6. Federal	627	533	459	511	2,130	634	566	497
7. Provincial and municipal	465	403	416	415	1,699	519	483	486
8. Interest on the public debt	322	386	328	378	1,414	352	415	361
9. Federal	216	244	243	232	935	236	259	253
10. Provincial and municipal	106	142	85	146	479	116	156	108
11. Subsidies	57	90	83	83	313	68	64	74
12. Federal	51	86	64	74	275	60	60	51
13. Provincial	6	4	19	9	38	8	4	23
Transfers to other levels of government:								
14. Federal	303	309	264	289	1,165	298	328	306
15. Total expenditure	3,617	3,642	3,807	3,731	14,797	3,868	3,884	4,049
16. Federal	1,932	1,885	1,801	1,814	7,432	2,026	1,944	1,872
17. Provincial and municipal	1,685	1,757	2,006	1,917	7,365	1,842	1,940	2,177
18. Deficit (-) or surplus (+)	- 295	- 110	- 307	- 23	- 735	- 212	140	- 96
19. Federal	- 346	- 66	7	127	- 278	- 248	178	180
20. Provincial and municipal	51	- 44	- 314	- 150	- 457	36	- 38	- 276
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	3,322	3,532	3,500	3,708	14,062	3,656	4,024	3,953
22. FEDERAL	1,586	1,819	1,808	1,941	7,154	1,778	2,122	2,052
23. PROVINCIAL and MUNICIPAL	1,736	1,713	1,692	1,767	6,908	1,878	1,902	1,901

TABLE 7. Source of National Saving, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Personal net saving	478	434	1,795	- 76	2,631	595	312	1,604
2. Business gross saving	1,342	1,558	1,629	1,695	6,224	1,352	1,898	1,811
3. Undistributed corporation profits	118	330	295	221	964	165	405	324
4. Capital consumption allowances and miscellaneous valuation adjustments	1,196	1,281	1,277	1,370	5,124	1,338	1,403	1,396
5. Adjustment on grain transactions(1)	28	- 53	57	104	136	- 151	90	91
6. Inventory valuation adjustment	- 28	- 75	- 44	- 37	- 184	- 43	- 66	13
7. Government surplus (+) or deficit (-)	- 295	- 110	- 307	- 23	- 735	- 212	140	- 96
8. Residual error of estimate	- 157	- 155	59	18	- 235	- 93	- 213	21
9. Totals	1,340	1,652	3,132	1,577	7,701	1,599	2,071	3,353

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 8. Disposition of National Saving, by Quarters, 1963 and 1964
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Business gross fixed capital formation	1,460	1,930	2,053	2,052	7,495	1,833	2,196	2,229
2. New residential construction	298	413	477	517	1,705	442	440	500
3. New non-residential construction	502	686	836	787	2,811	573	755	907
4. New machinery and equipment	660	831	740	748	2,979	818	1,001	822
5. Value of physical change in inventories	- 51	- 247	1,122	- 365	459	7	- 185	922
6. Surplus (+) or deficit (-) on current account with non-residents	- 227	- 185	15	- 91	- 488	- 334	- 152	223
7. Residual error of estimate	158	154	- 58	- 19	235	93	212	- 21
8. Totals	1,340	1,652	3,132	1,577	7,701	1,599	2,071	3,353

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1963 and 1964(1)
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	5,834	6,254	6,064	6,864	25,016	6,203	6,577	6,378
2. Non-durable goods	2,883	2,994	3,090	3,532	12,499	2,981	3,100	3,182
3. Durable goods	665	893	676	933	3,167	791	978	796
4. Services	2,286	2,367	2,298	2,399	9,350	2,431	2,499	2,400
5. Government expenditure on goods and services	1,504	1,600	1,940	1,658	6,702	1,577	1,613	1,925
6. Business gross fixed capital formation	1,293	1,705	1,797	1,776	6,571	1,570	1,856	1,877
7. New residential construction	260	357	410	432	1,459	366	358	401
8. New non-residential construction	446	608	739	692	2,485	498	651	781
9. New machinery and equipment	587	740	648	652	2,627	706	847	695
10. Change in inventories	- 9	- 270	1,030	- 320	431	56	- 213	858
11. Non-farm business inventories	192	- 146	- 1	113	158	304	21	156
12. Farm inventories and grain in commercial channels	- 201	- 124	1,031	- 433	273	- 248	- 234	702
13. Exports of goods and services	1,718	2,091	2,285	2,320	8,414	1,969	2,490	2,648
14. Deduct: Imports of goods and services	- 1,862	- 2,165	- 2,146	- 2,301	- 8,474	- 2,151	- 2,481	- 2,328
15. Residual error of estimate	143	140	- 53	- 17	213	83	188	- 19
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	8,621	9,355	10,917	9,980	38,873	9,307	10,030	11,339

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, derived by dividing the value figures in Table 2 by the constant dollar figures in Table 9, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates (millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	21,032	21,280	21,680	22,208	21,550	22,800	23,060	23,664
2. Military pay and allowances	556	608	600	628	598	576	580	596
3. Corporation profits before taxes	3,868	3,892	3,828	4,092	3,920	4,452	4,336	4,244
4. Deduct: Dividends paid to non-residents(1)	- 612	- 532	- 568	- 660	- 593	- 680	- 584	- 680
5. Rent, interest, and miscellaneous investment income	2,932	3,040	3,044	3,084	3,025	3,228	3,260	3,252
6. Accrued net income of farm operators from farm production(2)	1,788	1,724	1,712	1,920	1,786	1,268	1,576	1,348
7. Net income of non-farm unincorporated business(3)	2,448	2,416	2,448	2,492	2,451	2,532	2,500	2,512
8. Inventory valuation adjustment	- 112	- 300	- 176	- 148	- 184	- 172	- 264	52
9. NET NATIONAL INCOME AT FACTOR COST	31,900	32,128	32,568	33,616	32,553	34,004	34,464	34,988
10. Indirect taxes less subsidies	5,588	5,344	5,612	5,716	5,565	6,132	6,304	6,492
11. Capital consumption allowances and miscellaneous valuation adjustments	4,972	5,068	5,116	5,340	5,124	5,548	5,552	5,560
12. Residual error of estimate	- 360	- 20	- 220	- 340	- 235	- 172	- 252	- 304
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	42,100	42,520	43,076	44,332	43,007	45,512	46,068	46,736
14. (Gross national product at market prices excluding accrued net income of farm operators)	(40,312)	(40,796)	(41,364)	(42,412)	(41,221)	(44,244)	(44,492)	(45,388)

(1) See footnote 1, Table 1.

(2) Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

(3) Includes net income of independent professional practitioners.

TABLE 11. Gross National Expenditure, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates (millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	26,660	26,896	27,396	27,968	27,230	28,620	28,740	29,328
2. Government expenditure on goods and services(1, 2)	7,996	8,108	8,152	8,048	8,076	8,456	8,536	8,488
3. Business gross fixed capital formation(3)	7,128	7,436	7,500	7,916	7,495	8,928	8,376	8,220
4. New residential construction	1,584	1,676	1,680	1,880	1,705	2,340	1,752	1,748
5. New non-residential construction	2,668	2,864	2,812	2,900	2,811	3,024	3,080	3,096
6. New machinery and equipment	2,876	2,896	3,008	3,136	2,979	3,564	3,544	3,376
7. Value of physical change in inventories	464	340	580	452	459	228	400	400
8. Non-farm business inventories	76	- 60	264	384	166	468	600	816
9. Farm inventories and grain in commercial channels(4)	388	400	316	68	293	- 240	- 200	- 416
10. Exports of goods and services	8,552	8,980	9,032	9,652	9,054	9,980	10,596	10,708
11. Deduct: Imports of goods and services	- 9,064	- 9,256	- 9,804	- 10,044	- 9,542	- 10,872	- 10,836	- 10,716
12. Residual error of estimate	364	16	220	340	235	172	256	308
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	42,100	42,520	43,076	44,332	43,007	45,512	46,068	46,736
Detail of Farm Inventories and GICC:								
Value of grain crop production	1,380	1,380	1,380	1,384	1,381	1,128	1,128	1,128
Depletions of farm stocks of grain	- 1,064	- 1,020	- 1,160	- 1,224	- 1,117	- 1,424	- 1,368	- 1,220
Change in livestock inventories	8	72	20	96	49	- 8	76	- 56
Grain in commercial channels	64	- 32	76	- 188	- 20	64	- 36	- 268

(1) See footnote 1, Table 2.

(2) For details of defence expenditures, see line 3, Table 15.

(3) See footnote 3, Table 2.

(4) In the seasonally adjusted series, the value of grain production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 2, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 12. Source of Personal Income, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	21,032	21,280	21,680	22,208	21,550	22,800	23,060	23,664
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 820	- 840	- 844	- 848	- 838	- 860	- 892	- 880
3. Military pay and allowances	556	608	600	628	598	576	580	596
4. Net income received by farm operators from farm production(1)	1,544	1,892	1,508	1,656	1,650	1,728	1,176	1,172
5. Net income of non-farm unincorporated business	2,448	2,416	2,448	2,492	2,451	2,532	2,500	2,512
6. Interest, dividends, and net rental income of persons(2)	3,396	3,476	3,488	3,588	3,487	3,668	3,680	3,732
Transfer payments to persons:								
7. From government (excluding interest)	3,860	3,784	3,764	3,908	3,829	4,124	4,200	4,188
8. Charitable contributions by corporations	44	44	44	44	44	44	44	48
9. PERSONAL INCOME	32,060	32,660	32,688	33,676	32,771	34,612	34,348	35,032

(1) This item differs from line 6, Table 10 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 13. Disposition of Personal Income, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Personal direct taxes	2,892	2,748	2,924	3,076	2,910	3,208	3,360	3,424
2. Income taxes	2,496	2,336	2,500	2,616	2,487	2,768	2,868	2,980
3. Succession duties and estate taxes	144	164	176	200	171	160	228	156
4. Miscellaneous	252	248	248	260	252	280	264	288
5. Personal expenditure on consumer goods and services	26,660	26,896	27,396	27,968	27,230	28,620	28,740	29,328
6. Non-durable goods	13,216	13,192	13,496	13,612	13,379	13,848	14,000	14,132
7. Durable goods	3,072	3,164	3,184	3,408	3,207	3,532	3,392	3,704
8. Services(1)	10,372	10,540	10,716	10,948	10,644	11,240	11,348	11,492
9. Personal net saving	2,508	3,016	2,368	2,632	2,631	2,784	2,248	2,280
10. PERSONAL INCOME	32,060	32,660	32,688	33,676	32,771	34,612	34,348	35,032
11. (Personal disposable income)(2)	(29,168)	(29,912)	(29,764)	(30,600)	(29,861)	(31,404)	(30,988)	(31,608)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 14. Government Revenue, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Direct taxes - Persons	2,892	2,748	2,924	3,076	2,910	3,208	3,360	3,424
2. Federal	2,192	2,056	2,212	2,312	2,193	2,412	2,520	2,588
3. Provincial and municipal	700	692	712	764	717	796	840	836
4. Direct taxes - Corporations	1,820	1,796	1,756	1,868	1,810	2,012	1,968	1,948
5. Federal	1,364	1,348	1,316	1,384	1,353	1,516	1,476	1,456
6. (Federal tax collections)	(1,312)	(1,316)	(1,324)	(1,360)	(1,328)	(1,380)	(1,804)	(1,500)
7. Provincial	456	448	440	484	457	496	492	492
8. (Provincial tax collections)	(408)	(416)	(516)	(448)	(447)	(428)	(508)	(496)
Withholding taxes:								
9. Federal	124	120	132	136	128	124	136	140
10. Indirect taxes	5,832	5,716	5,908	6,056	5,878	6,420	6,576	6,736
11. Federal	2,420	2,328	2,464	2,588	2,450	2,688	2,820	2,920
12. Provincial and municipal(1)	3,412	3,388	3,444	3,468	3,428	3,732	3,756	3,816
13. Investment income	1,308	1,384	1,356	1,284	1,333	1,500	1,496	1,464
14. Federal	484	536	548	420	497	588	564	544
15. Provincial and municipal	824	848	808	864	836	912	932	920
16. Employer and employee contributions to social insurance and government pension funds	820	840	844	848	838	860	892	880
17. Federal	528	536	536	532	533	552	572	552
18. Provincial and municipal	292	304	308	316	305	308	320	328
Transfers from federal:								
19. Provincial and municipal	1,192	1,224	1,092	1,152	1,165	1,168	1,300	1,268
20. TOTAL REVENUE	13,988	13,828	14,012	14,420	14,062	15,292	15,728	15,860
21. FEDERAL	7,112	6,924	7,208	7,372	7,154	7,880	8,088	8,200
22. PROVINCIAL and MUNICIPAL	6,876	6,904	6,804	7,048	6,908	7,412	7,640	7,660

(1) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 15. Government Expenditure, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Goods and services	7,996	8,108	8,152	8,048	8,076	8,456	8,536	8,488
2. Federal	3,000	2,936	2,940	2,832	2,927	3,100	3,020	2,952
3. (Defence)	(1,532)	(1,604)	(1,612)	(1,556)	(1,576)	(1,664)	(1,568)	(1,488)
4. Provincial and municipal	4,996	5,172	5,212	5,216	5,149	5,356	5,516	5,536
5. Transfer payments to persons (excluding interest on the public debt)	3,860	3,784	3,764	3,908	3,829	4,124	4,200	4,188
6. Federal	2,184	2,092	2,064	2,180	2,130	2,248	2,228	2,200
7. Provincial and municipal	1,676	1,692	1,700	1,728	1,699	1,876	1,972	1,988
8. Interest on the public debt	1,380	1,412	1,416	1,448	1,414	1,496	1,520	1,524
9. Federal	900	940	952	948	935	984	996	992
10. Provincial and municipal	480	472	464	500	479	512	524	532
11. Subsidies	244	372	296	340	313	288	272	244
12. Federal	208	336	256	300	275	244	232	200
13. Provincial	36	36	40	40	38	44	40	44
Transfers to other levels of government:								
14. Federal	1,192	1,224	1,092	1,152	1,165	1,168	1,300	1,268
15. Total expenditure	14,672	14,900	14,720	14,896	14,797	15,532	15,828	15,712
16. Federal	7,484	7,528	7,304	7,412	7,432	7,744	7,776	7,612
17. Provincial and municipal	7,188	7,372	7,416	7,484	7,365	7,788	8,052	8,100
18. Deficit (-) or surplus (+)	- 684	- 1,072	- 708	- 476	- 735	- 240	- 100	148
19. Federal	- 372	- 604	- 96	- 40	- 278	136	312	588
20. Provincial and municipal	- 312	- 468	- 612	- 436	- 457	- 376	- 412	- 440
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	13,988	13,828	14,012	14,420	14,062	15,292	15,728	15,860
22. FEDERAL	7,112	6,924	7,208	7,372	7,154	7,880	8,088	8,200
23. PROVINCIAL and MUNICIPAL	6,876	6,904	6,804	7,048	6,908	7,412	7,640	7,660

TABLE 16. Source of National Saving, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Personal net saving	2,508	3,016	2,368	2,632	2,631	2,784	2,248	2,280
2. Business gross saving	6,092	5,892	6,264	6,648	6,224	6,236	7,160	6,744
3. Undistributed corporation profits	876	992	944	1,044	964	1,148	1,208	1,008
4. Capital consumption allowances and miscellaneous valuation adjustments	4,972	5,068	5,116	5,340	5,124	5,548	5,552	5,560
5. Adjustment on grain transactions(1)	244	- 168	204	264	136	- 460	400	176
6. Inventory valuation adjustment	- 112	- 300	- 176	- 148	- 184	- 172	- 264	52
7. Government surplus (+) or deficit (-)	- 684	- 1,072	- 708	- 476	- 735	- 240	- 100	148
8. Residual error of estimate	- 360	- 20	- 220	- 340	- 235	- 172	- 252	- 304
9. Totals	7,444	7,516	7,528	8,316	7,701	8,436	8,792	8,920

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 17. Disposition of National Saving, by Quarters, 1963 and 1964 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Business gross fixed capital formation	7,128	7,436	7,500	7,916	7,495	8,928	8,376	8,220
2. New residential construction	1,584	1,676	1,680	1,880	1,705	2,340	1,752	1,748
3. New non-residential construction	2,668	2,864	2,812	2,900	2,811	3,024	3,080	3,096
4. New machinery and equipment	2,876	2,896	3,008	3,136	2,979	3,564	3,544	3,376
5. Value of physical change in inventories	464	340	580	452	459	228	400	400
6. Surplus (+) or deficit (-) on current account with non-residents	- 512	- 276	- 772	- 392	- 488	- 892	- 240	- 8
7. Residual error of estimate	364	16	220	340	235	172	256	308
8. Totals	7,444	7,516	7,528	8,316	7,701	8,436	8,792	8,920

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1963 and 1964(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

	1963					1964		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	24,636	24,792	25,084	25,552	25,016	26,044	26,036	26,508
2. Non-durable goods	12,440	12,388	12,552	12,616	12,499	12,796	12,876	12,952
3. Durable goods	3,036	3,128	3,136	3,368	3,167	3,512	3,380	3,712
4. Services	9,160	9,276	9,396	9,568	9,350	9,736	9,780	9,844
5. Government expenditure on goods and services	6,736	6,784	6,728	6,560	6,702	6,868	6,840	6,716
6. Business gross fixed capital formation	6,316	6,564	6,564	6,840	6,571	7,652	7,080	6,924
7. New residential construction	1,380	1,448	1,444	1,564	1,459	1,936	1,424	1,404
8. New non-residential construction	2,380	2,540	2,484	2,536	2,485	2,640	2,660	2,660
9. New machinery and equipment	2,556	2,576	2,636	2,740	2,627	3,076	2,996	2,860
10. Change in inventories	420	312	576	416	431	244	352	388
11. Non-farm business inventories	72	- 52	264	348	158	460	512	768
12. Farm inventories and grain in commercial channels	348	364	312	68	273	- 216	- 160	- 380
13. Exports of goods and services	7,940	8,384	8,388	8,944	8,414	9,224	9,756	9,752
14. Deduct: Imports of goods and services	- 8,136	- 8,284	- 8,640	- 8,836	- 8,474	- 9,464	- 9,372	- 9,276
15. Residual error of estimate	332	16	200	304	213	152	228	272
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	38,244	38,568	38,900	39,780	38,873	40,720	40,920	41,284

(1) See footnote 1, Table 9.

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(QUARTERLY)



Canada. Statistics, Bureau of
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N**NATIONAL ACCOUNTS :**
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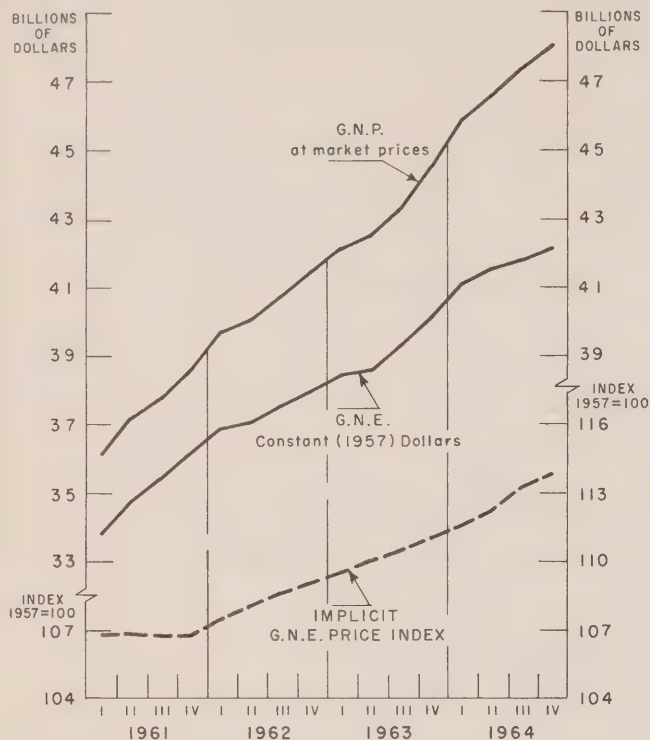
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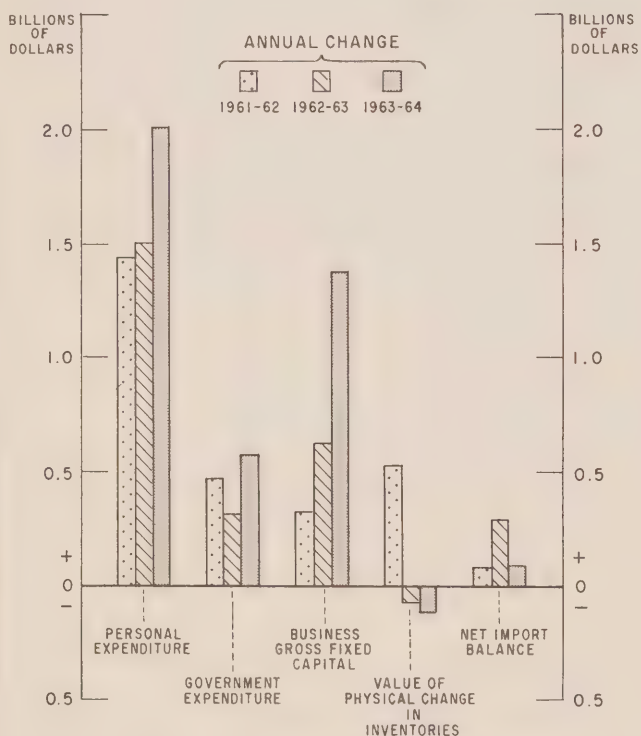
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G.N.P. in the final quarter of 1964 advanced by 1.3 per cent.....

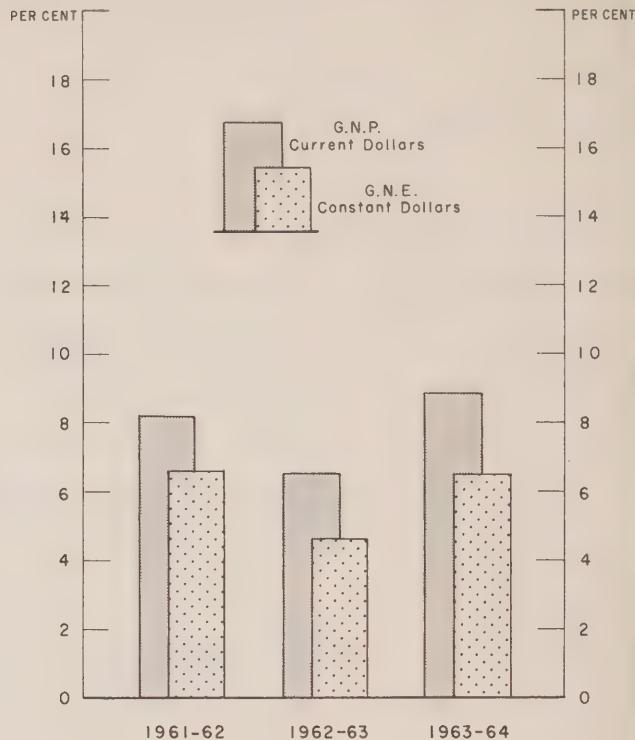


The main supports for the sustained growth came from business capital spending and consumers.

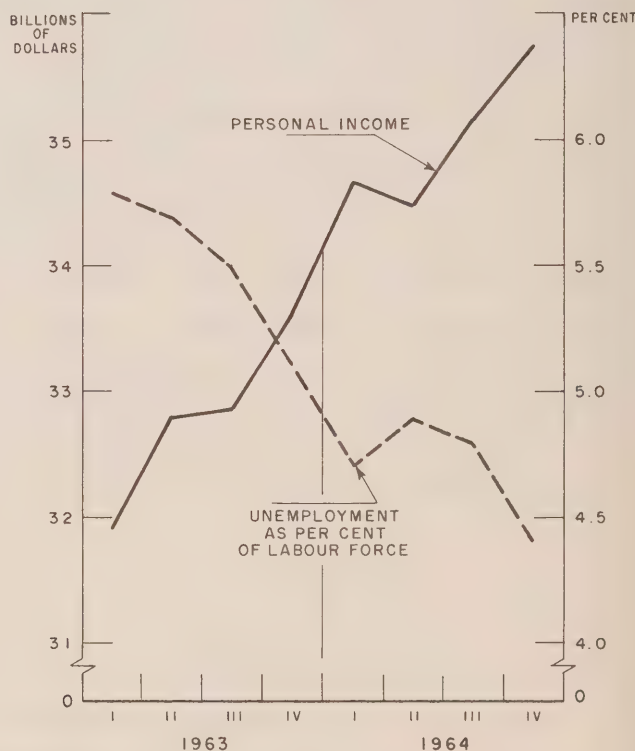


DATA IN THE ABOVE CHARTS ARE SEASONALLY ADJUSTED AT ANNUAL RATES.

.....to give an annual increase of close to 9 per cent, of which price increases accounted for almost 2½ per cent.



Continued gains in personal income and declining unemployment reflected the economic strength in 1964.



ANNUAL REVIEW 1964

(This report incorporates revisions to data for the years 1961, 62, 63 and the first 3 Quarters of 1964. In large part, the Revisions represent information which has become available during the past year from final tabulations of annual survey data. New information from "Taxation Statistics, 1964" has also been incorporated in the estimates, as well as the results of the most recent survey, "Private and Public Investment in Canada - Outlook, 1965".)

Introduction

Gross National Expenditure reached \$47.0 billion in 1964, compared with \$43.2 billion in 1963. This gain of nearly 9 per cent was the largest annual advance since 1956. With prices almost 2-1/2 per cent higher, the increase in terms of constant dollars was 6-1/2 per cent. Western grain crops, though large, were considerably below the exceptional harvest of 1963, with the result that the rate of increase in non-farm output exceeded that in output as a whole.

The pace of expansion was uneven through the year. An upsurge in the first quarter was associated with special circumstances: the government's winter housebuilding incentive programme; forward buying of certain capital goods in anticipation of the progressive imposition of the sales tax; and huge sales of wheat following the contract entered into with the USSR. With these special factors absent or not present in the same degree, the pace of expansion was more moderate during the rest of the year.

The expansion in 1964 was broadly based, with all the components of final demand contributing to the gain in the total. In addition, a rising rate of business stock-building was adding to the demands on the nation's production until the closing quarter of the year and the annual figure substantially exceeded that of 1963. However, with outlays for business capital goods up 18 per cent, the strongest forward impetus came from the investment sector; expenditures for plant and equipment made a major gain, reflecting larger programmes in a wide range of industries; housing reached new records in units started, completed and under construction.

Consumer markets were buoyant; spending rose almost 7-1/2 per cent, one of the largest gains in recent years. The demand for durables was unusually strong, although the rate of increase in sales of cars was not as high as in the two previous years.

The international climate favoured the expansion of trade despite a slowing down in the rate of growth in some overseas countries during the course of the year. In addition to a major increase in the already high level of wheat shipments, there were substantial gains in exports of a wide variety of export products. Exports of goods and services were up 15 per cent. The high and rising level of economic activity in Canada, particularly in the investment sector, contributed to a 13 per cent rise in imports of goods and services. The further narrowing of the deficit on current international transactions due to the increased surplus on merchandise trade was one of the notable developments of the year.

Government purchases of goods and services were appreciably higher than in the previous year, paced by a close to 10 per cent increase at the provincial-municipal level. Federal purchases of goods and services which amount to a little over half those of other levels of government, were 3-1/2 per cent higher. Other government expenditure which, although not directly a part of Gross National Product, contributes indirectly to final demand by supporting expenditure by other sectors, rose by 8 per cent. Government revenues rose more sharply than expenditures and the government sector as a whole came into virtual balance, with the federal deficit shifting to a surplus for the first time since 1957 and the provincial-municipal deficit remaining unchanged.

The salient developments on the income side were a nearly 9 per cent rise in labour income, the largest since 1956, and despite a mixed quarterly movement, with some easing in the summer quarters, an increase in corporation profits of nearly 15 per cent for the year. Farm income reflected the drop in crop production from the exceptionally high level of the previous year.

Quarter to Quarter Changes in Final Purchases
(Seasonally Adjusted at Annual Rates)
(millions of dollars)

	2Q'61 to 3Q'61	3Q'61 to 4Q'61	4Q'61 to 1Q'62	1Q'62 to 2Q'62	2Q'62 to 3Q'62	3Q'62 to 4Q'62	4Q'62 to 1Q'63	1Q'63 to 2Q'63	2Q'63 to 3Q'63	3Q'63 to 4Q'63	4Q'63 to 1Q'64	1Q'64 to 2Q'64	2Q'64 to 3Q'64	3Q'64 to 4Q'64
1. Personal expenditure	420	200	660	148	116	528	340	396	492	516	704	188	644	464
2. Government expenditure	244	136	- 4	372	- 144	60	204	- 96	228	8	444	- 40	20	252
3. Residential construction	32	- 40	80	40	24	- 20	12	72	64	100	344	- 268	- 36	256
4. Non-residential construction ...	120	- 20	- 44	- 80	- 48	24	28	224	16	76	208	80	132	212
5. Machinery and equipment	72	64	48	80	136	68	- 8	104	112	156	356	72	- 204	192
6. Exports of goods and services ..	588	56	40	224	116	84	176	348	40	736	260	608	152	- 352
7. Total final purchases	1,476	396	780	784	200	744	752	1,048	952	1,592	2,316	640	708	1,024
8. (Final domestic demand)	888	340	740	560	84	660	576	700	912	856	2,056	32	556	1,376

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in non-farm business inventories	- 536	932	- 540	- 88	340	- 612	160	- 316	380	252	72	44	188	- 756
10. Imports of goods and services ..	508	284	- 64	404	- 48	- 436	304	212	432	360	700	- 68	12	292
11. G.N.P. (ex. farm)	560	1,000	512	404	628	648	476	412	872	1,080	1,744	456	956	652

Constant (1957) Dollars

Quarter to Quarter Percentage Changes in Selected Items

12. Final domestic demand	2.2	0.5	1.2	0.8	- 0.2	1.1	0.8	1.2	1.5	1.5	4.0	- 0.5	0.7	2.5
13. Total final purchases	2.8	0.4	1.0	1.0	-	1.1	1.0	1.7	1.3	2.5	3.7	0.6	0.6	1.5
14. Gross national expenditure	1.8	2.1	2.2	0.2	1.3	1.2	1.2	0.5	1.7	2.2	2.4	1.1	0.5	0.9

The changes in expenditure and income described above were associated with an expansion in employment of 3.6 per cent in 1964 and a drop in the average rate of unemployment from 5.5 to 4.7 per cent of the labour force; the growth in non-agricultural employment was 4.3 per cent. By the end of the year the rate of unemployment had fallen to 4.0 per cent from 4.9 per cent a year earlier.

Changes in Components of Gross National Expenditure and Other Data

	Per Cent Changes in Year-to-Year		Per Cent Changes over the year (Seasonally Adjusted)	
	1962 to 1963	1963 to 1964	IVQ. '62 to IVQ. '63	IVQ. '63 to IVQ. '64
Gross National Expenditure	6.5	8.9	7.4	7.6
Personal Expenditure	5.8	7.3	6.6	7.1
Government Expenditure	4.1	7.3	4.4	8.3
Business Gross Fixed Capital	9.1	18.1	13.5	16.7
Business Inventories	(\$-135M)	(\$310M)	(\$476M)	(\$-452 M)
Farm Inventories	(\$ 69M)	(\$-421M)	(\$-272M)	(\$ 112M)
Exports of Goods and Services	9.9	15.0	15.4	6.9
Imports of Goods and Services	5.7	13.2	14.8	9.2
Net National Income	6.5	7.6	6.5	7.3
Wages and Salaries	6.5	8.7	7.6	8.8
Corporation Profits before Taxes ^{1/}	6.6	14.6	7.6	16.6
Rent, Interest, etc.	7.7	5.9	2.4	6.0
Accrued Farm Income	15.2	-14.7	15.9	-22.3
Other Unincorporated Business Income	4.0	4.7	5.2	3.5
Personal Disposable Income	5.9	5.8	6.1	5.4
Net Personal Saving	(\$153M)	(\$-285)	(n.c.)	(\$-364M)

^{1/} Before deducting dividends paid to non-residents.

Price Movements

With overall prices increasing by a little more than 2 per cent, approximately three fourths of the 9 per cent increase in the value of GNP between the years 1963 and 1964 represented a gain in real terms. The following table compares percentage changes in value, volume and price between 1962-1963 and 1963-1964. As indicated in the table, overall prices increased by slightly more in 1964 than in the preceding year. Prices of consumer goods and services advanced by 1.5 per cent in both years, while prices of investment goods, affected by the progressive implementation of the federal sales tax on production machinery and building materials increased by 3.6 per cent in 1964 as compared with 2.6 per cent in 1963. The price component of exports of goods and services advanced by a little over two per cent in 1964, while prices of imported goods and services increased by less than two per cent during the same period.

The increase of 1.5 per cent in prices of consumer goods and services reflected diverse movements within the main components of this aggregate. Prices of durable goods declined by 1 per cent, reflecting a decrease of about 2-1/2 per cent in the prices of new cars. Non-durable goods prices advanced by close to two per cent, with clothing and food prices increasing by 3 and 1-1/2 per cent respectively. Prices of the service component rose by about 2 per cent with rather widespread advances in all the main components other than rents, which advanced only slightly.

Per Cent Changes - Value, Volume, and Prices

	1962 to 1963			1963 to 1964		
	<u>Value</u>	<u>Volume</u>	<u>Price</u> ^{1/}	<u>Value</u>	<u>Volume</u>	<u>Price</u> ^{1/}
Personal Expenditure	5.8	4.3	1.5	7.3	5.8	1.5
Non-Durable Goods, ex. food	4.0	3.1	0.9	7.5	5.4	2.0
Non-Durable Goods - Total	4.2	2.5	1.7	6.3	4.5	1.7
Durable Goods	9.2	8.8	0.4	10.4	11.5	-1.1
Services	6.8	5.3	1.5	7.8	5.5	2.2
Government Expenditure	4.1	-	4.1	7.3	4.4	2.6
Business Gross Fixed Capital Formation	9.1	6.3	2.6	18.1	14.0	3.6
New Residential Construction	8.2	4.6	3.5	18.4	12.0	5.7
New Non-Residential Construction	7.5	4.7	2.6	17.9	14.7	2.7
New Machinery and Equipment	11.1	8.7	2.2	18.2	14.6	3.2
Exports of Goods and Services	9.9	8.6	1.1	15.0	12.4	2.3
Total Final Demand	6.7	4.6	1.9	10.2	7.9	2.2
Imports of Goods and Services	5.7	2.8	2.9	13.2	11.3	1.7
Gross National Expenditure	6.5	4.6	1.8	8.9	6.5	2.3

^{1/} Implicit Price Indexes

Production by Industry

Real domestic product less agriculture for the year 1964 was almost 7 per cent above its 1963 levels, thus surpassing its post-war average annual rate of growth of about 4-1/2 per cent. Most industry groups in 1964 maintained or bettered their post-war growth rates. The largest single contributor to the gain in the total was manufacturing, with an 8 per cent increase, followed by transportation and trade, which increased by 10 and 6 per cent respectively. Construction also had a particularly good year, the 1964 increase of 10 per cent being the highest since 1956.

Components of Demand

Consumer Expenditure

Reflecting particularly strong advances in the first and third quarter, personal expenditure in 1964 rose almost 7-1/2 per cent above the level of 1963. This gain, one of the largest in recent years, was 1-1/2 percentage points higher than obtained the previous year. With prices higher by 1-1/2 per cent on consumer purchases the real growth amounted to 6 per cent.

All components shared in the notably strong demand for durables, particularly furniture, appliances and radios and home furnishings which showed sizeable gains; a reflection in part of the strong demand for housing. The 11-1/2 per cent increase in the net purchases of new and used cars was below the 14 per cent exhibited during the previous two years, possibly resulting from the interruption in supplies due to work stoppages in the industry in the final quarter of the year; new purchases of cars contributed more than one-half to the growth in durables. Purchases of cars of overseas manufacture increased sharply, reversing a downward trend evident for the past few years.

Purchases of non-durable goods increased more than 6 per cent over 1963 with increases in food and clothing providing the main impetus. Moderate increases were also registered in sales of alcoholic beverages and tobacco. Purchases of fuel and gas declined fractionally.

The growth of almost 8 per cent in expenditure on services accounted for roughly 40 per cent of the increase in total spending. Increases of approximately 8 per cent were registered in personal services and personal care, while outlays on recreation grew by 7 per cent. Shelter expenses rose almost 6 per cent, down from an 8 per cent increase in the previous year. Part of the growing demand for services was attributable to substantially higher outlays in 1964 by Canadians travelling abroad.

Personal Expenditure - Per cent Changes

	Year 1962 to Year 1963	Year 1963 to Year 1964
Total Non-durables	4.2	6.3
Food	4.2	5.1
Clothing (including footwear)	3.9	6.3
Total Durables	9.2	10.4
New and Used Cars	14.4	11.5
Total Goods	5.1	7.1
Total Services	6.8	7.8
Total Personal Expenditure	5.8	7.3

Business Gross Fixed Capital Formation

Spending on fixed capital in 1964 totalled about \$9 billion, up 18 per cent from 1963. Based on 1957 prices, the compound rate of growth was some 13 per cent, the highest since 1956. There were marked increases in the opening quarter associated with sharply rising outlays for housing and machinery and equipment; higher expenditures for all three components were evident in the fourth quarter. The upsurge in spending at the year-end carried the fourth quarter level to an annual rate 4-1/2 per cent above the yearly average.

Growth Rate* - Business Gross Fixed Capital Formation in Constant (1957) Dollars
(Average annual rates)

First Year	Final Year											First Year
	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	
1953	-5.3	0.5	7.3	6.6	3.9	2.6	1.5	1.1	1.2	1.7	2.7	1953
1954		6.2	13.6	10.6	6.1	4.1	2.6	2.0	2.0	2.4	3.5	1954
1955			21.1	12.8	6.1	3.6	1.8	1.3	1.4	2.0	3.2	1955
1956				4.5	-1.4	-2.2	-3.0	-2.7	-1.9	-0.7	1.0	1956
1957					-7.2	-5.6	-5.4	-4.5	-3.2	-1.6	0.5	1957
1958						-3.9	-4.6	-3.6	-2.1	-0.5	1.8	1958
1959							-5.2	-3.4	-1.5	0.4	2.9	1959
1960								-1.7	0.3	2.2	4.9	1960
1961									2.3	4.2	7.1	1961
1962										6.1	9.6	1962
1963											13.1	1963

*The growth rates are the average annual changes of the natural logarithms of the figures for the first and last years of the periods specified.

Residential capital formation at \$2 billion was over 18 per cent higher than in 1963. Dwelling starts, completions and units under construction at year-end set new records. The number of building starts amounted to 165,700, surpassing the previous record of 164,600 made in 1958. Completions increased over 1963 levels by 18 per cent to about 151,000 units. Dwellings under construction increased from 96,600 at the end of 1963 to 107,700 at the end of 1964.

About nine-tenths of the expansion in housing starts was in multiple dwellings, mostly in urban areas. Changes in housing activity have been attributed to the ready availability of mortgage money, to special winter house-building incentive programmes, to demographic factors and perhaps to the increased attractiveness of apartment accommodation.

Non-residential building and engineering capital formation advanced by about 18 per cent to \$3.3 billion. About half of the gains were in utility projects, notably in the electric power, urban transit and railway industries. Very large expansions occurred in manufacturing by the paper, transportation equipment and primary metal industries; in mining by petroleum and oil wells and by iron mines; and in the financial industries by real estate companies. The industrial composition of 1964 private construction differed from that of 1963 in that there was a significantly smaller relative share for trade and commercial services.

Producers' durable equipment spending moved 18 per cent higher than in 1963 to \$3.6 billion. Some two-thirds of the gain was in manufacturing with large investment programmes by the paper, primary metal, textile and transportation equipment industries. Other major gains were in agriculture and the railway industry. The industrial composition of 1964 machinery and equipment outlays differed from 1963 in that there was a significantly larger relative share for manufacturing and reduced shares for utilities and agriculture.

Investment intentions as published in "Private and Public Investment in Canada - Outlook 1965" call for an increase in 1965 of 12 per cent to \$10.1 billion, with outlays for housing up 11 per cent and for plant and equipment up about 13 per cent from 1964. The industrial composition of planned 1965 spending differs from 1964 in that there is a larger relative share for manufacturing, institutions and real estate companies, and smaller share for mining and agriculture.

Non-farm Business Inventories

Stock accumulation amounted to \$510 million during the year. Although this was by far the biggest annual increase during the current economic expansion, the inventory held by business did not appear high in relation to output. Stocks were built up at a steadily rising rate during the first three quarters of the year but the rate of increase fell sharply in the fourth quarter. Four-fifths of the increase occurred in manufacturing and retail inventories. Wholesale stocks increased also, but at a much lower rate.

Change in Non-farm Business Inventories, Years 1963-1964

	1963	1964	1964 Minus 1963
	(millions of dollars)		
Manufacturing ^{1/}	40	216	176
Durables	23	143	120
Non-Durables	17	73	56
Wholesale	31	77	46
Retail	143	199	56
"Other" Industries	-14	18	32
Grand Total	200	510	310

^{1/} The split into durable and non-durable is based on the nature of the principal product manufactured.

The major part of the accumulation of inventories in manufacturing in 1964 compared with 1963 took place in the durable goods industries, in particular in the transportation equipment, metal fabricating and electrical goods industries; other changes among durables were small and to some extent offsetting. Among non-durables, much the most important change was in the newsprint industry which shifted from depletion in 1963 to accumulation in 1964. For manufacturing as a whole the stock-to-shipments ratio at the end of the year was the same as that of a year earlier.

All the increase in the rate of accumulation in stocks in wholesale trades is accounted for by the durable lines; the movements in the non-durable trades were mixed and offsetting. The stock-to-sales ratio for all wholesale industry at the end of the year was lower than a year earlier.

In retail trades there were opposing changes in the rate of build-up of stocks as between durables and non-durables. Durables were built-up at a much reduced rate and non-durables at a much higher rate. This development in durables was largely the result of a curtailment in supply to new car dealers in the latter part of the year when strikes occurred in the automobile manufacturing industry in the United States and subsequently in Canada. At the end of the year, the stock-to-sales ratio for all retail trades was higher than a year earlier.

Exports and Imports of Goods and Services

The deficit in Canada's external account on a National Accounts basis fell from \$524 million to \$428 million in 1964, the smallest deficit recorded since 1954. The change of \$96 million resulted from an increase in the surplus in merchandise trade of \$197 million partly offset by a rise of \$101 million in the deficit on non-merchandise trade. About three quarters of the latter can be attributed to a turnabout from a surplus to a deficit in the travel account. Higher deficits in the interest and dividends account (at record levels for both receipts and payments) and the miscellaneous account (government expenditure, business and other services) and a drop in gold production available for export offset an improvement in the freight and shipping account.

Exports and Imports of Goods and Services

	Goods			Services			Current
	Exports	Imports	Net	Exports	Imports	Net	Balance
	(millions of dollars)						
1961	5,889	5,716	173	1,742	2,826	-1,084	-911
1962	6,380	6,203	177	1,879	2,879	-1,000	-823
1963	7,082	6,579	503	1,995	3,022	-1,027	-524
1964	8,238	7,538	700	2,202	3,330	-1,128	-428
1963-4 per cent change	16.3	14.6		10.4	10.2		

Massive shipments of wheat to the USSR and other Communist countries were a special factor in the 16 per cent rise in merchandise exports. Other gains were made in zinc, nickel, copper, iron ore and concentrates, newsprint paper, wood pulp, aircraft (after allowance for progress payments and deliveries), cars and trucks, motor vehicle parts, fish, barley, petroleum, farm and non-farm machinery, lumber and natural gas. The changes in exports of the ten leading commodities are shown in the table below.

Available import statistics suggest strength in Canadian demand for imported non-farm machinery, automobile parts, tractors, engines, automobiles, and plate, sheet and strip steel.

Merchandise trade figures used in the National Accounts differ somewhat from the published "Trade of Canada" totals. The effect of these adjustments in 1964 has been to reduce the export balance shown in the "Trade of Canada" report by over \$100 million. The difference results mainly from reductions in wheat and military aircraft receipts which were recorded in the previous year in the National Accounts.

Domestic Exports

	1963	1964	Per cent change ^{1/}
	(millions of dollars)		
Main Commodities:			
Wheat ^{2/}	811	988	21.8
Newsprint paper	760	835	9.8
Wood pulp	405	461	13.7
Lumber, softwood	427	450	5.3
Iron ores and concentrates	271	356	31.4
Aluminum and alloys	303	318	5.0
Petroleum, crude	234	262	12.0
Aircraft and parts ^{3/}	108	249	-
Nickel and alloys	175	197	12.4
Copper and alloys	166	190	14.4

^{1/} Based on unrounded figures.

^{2/} Adjusted for national accounts use.

^{3/} Before allowance for progress payments and deliveries.

The Government Sector

Total revenues of all governments combined, (excluding inter-governmental transfers), increased by over 12-1/2 per cent to a level of \$14.6 billion over the 1963 level of \$13.0 billion. Total expenditures increased less sharply, by 7-1/2 per cent, to a level of \$14.6 billion, resulting in a significant narrowing of the combined deficit (on a National Accounts basis) from \$632 million in 1963 to \$20 million in 1964. The improvement in the deficit position came at the federal level as the federal government with an increase in its revenues more than double that of its expenditures, moved from a deficit of \$292 million in 1963 to a surplus of \$328 million in 1964, the first annual surplus recorded since 1957. The deficit at the provincial-municipal level changed little as revenues and expenditures increased by similar amounts.

The continued buoyancy and expansion of activity in the economy in 1964 was reflected in the advances of all components of total government revenues.

Total indirect tax revenue rose by 13 per cent with the federal and the provincial-municipal governments sharing almost equally in the absolute increase. The major part of the gain at the federal level was in excise taxes, due in part to increases in the sales tax rate on production machinery and building materials imposed during the year. Provincial revenues from gasoline and sales taxes rose by almost 20 per cent; the increase was associated with a higher volume of sales and some upward revision in tax rates. Rates of tax on gasoline and fuel oil were increased in Ontario and Manitoba; the general sales tax rate was increased from 4 to 6 per cent in Quebec. The gain in property taxes accounts for most of the rise at the municipal level, but it was tempered somewhat by the decline in returns from retail sales taxes attributable to the withdrawal of Quebec municipalities from the sales tax field in April, 1964, in favour of the province.

Total corporate and personal direct taxes reached a level of \$5.4 billion, an increase of 14 per cent from 1963. Reflecting the sustained improvement in the employment positions and rising incomes, total revenue from federal and provincial personal income taxes was 18 per cent higher than in 1963. Accentuating the rise in federal personal income tax revenues was an increase from 3 per cent to 4 per cent (to a maximum of \$120 per taxpayer) in the levy on personal income on behalf of the Old Age Security Fund. There was an increase from 17 per cent to 18 per cent, effective January 1, 1964, in the abatement of the income tax in favour of the provinces under the terms of the federal-provincial fiscal arrangements which increased the share of provincial income tax revenue.

Investment income accruing to government rose by almost 10-1/2 per cent, with the largest increase occurring in trading profits of government enterprises. At the federal level, investment income increased by 9 per cent. Increased trading profits of power commissions and utilities accounted for more than half of the increase at the provincial-municipal level.

Total expenditures of all levels of governments advanced by over 7-1/2 per cent or \$1.1 billion from 1963 to 1964 with over two-thirds of the gain occurring at the provincial-municipal level. Provincial-municipal expenditures on goods and services rose sharply by over 9 per cent. On the other hand, federal outlays on goods and services showed a modest increase of 3-1/2 per cent which was accounted for by an increase of \$127 million in non-defence outlays and a decline of \$24 million in defence goods and services.

Per cent Change in Government Expenditure and Revenue

	1962 to 1963	1963 to 1964
<u>Government Expenditure:</u>		
Goods and services	4.1	7.3
Transfer payments to persons	2.9	8.4
Interest on public debt	9.1	7.9
Subsidies	6.5	1.9
Totals ^{1/}	4.3	7.5
<u>Government Revenue:</u>		
Direct taxes - persons	6.6	17.0
Direct taxes - corporations	7.0	9.2
Withholding taxes	1.6	10.2
Indirect taxes	5.6	13.1
Investment income	9.5	10.4
Employer-Employee contributions	4.3	5.3
Totals ^{1/}	6.3	12.6

^{1/} Excludes inter-governmental transfers.

There was a gain of almost 8-1/2 per cent over 1963 in the total of transfer payments to persons (excluding interest on the public debt). At the federal level, higher old age security payments, which were increased from \$65 to \$75 per month late in 1963 and the introduction of the new youth allowances more than offset a decline in the payments of unemployment insurance benefits. At the provincial-municipal level, substantial increases in payments under hospital insurance plans and for education accounted for the bulk of the increase.

Income Flows

Labour Income

Labour income for 1964 was estimated at \$23.4 billion, nearly 9 per cent higher than in 1963 and is the largest year-to-year gain recorded since 1956. Income in the goods-producing and in the service-producing industries rose at approximately the same rates.

Wages and salaries in the goods-producing industries advanced 9.0 per cent from 1963 to 1964. The largest increase in this group, about 11-1/2 per cent, occurred in construction although substantial gains of almost 9 per cent were also made in manufacturing.

The service-producing industries aggregate of wages and salaries for 1964 was up nearly 9 per cent over 1963. Finance and service recorded a gain of over 11 per cent and trade advanced close to 9 per cent. Wages and salaries in government non-military employment and also in the transportation, communication and other utilities industries rose by 6.0 per cent from 1963 to 1964.

These gains in labour income were associated with a rise in the number of employed paid workers of nearly 4-1/2 per cent. Available evidence does not suggest much change in hours worked.

Investment Income

Corporation profits (before taxes and before dividends paid to non-residents) continued to increase to a new record level in 1964. After a very strong first quarter, profits dipped in the second and third quarters but recovered and increased sharply, by 11.5 per cent, in the fourth. For the year as a whole, profits rose to \$4.6 billion or over 14-1/2 per cent above the annual level for 1963. Most industries showed substantial increases, the exceptions being textiles, transportation equipment and public utilities where profits declined. The profits of mining, quarrying and oil wells rose over 30 per cent. Production of the metal industries advanced substantially, as did the profits of primary metal industries, metal fabricators, and machinery, each increasing by about 20 per cent. Other increases were shown by transportation, near 40 per cent, wholesale trade, finance and service each approximately 15 per cent. The weakening of the transportation equipment industry in the fourth quarter was caused by strikes and production stoppages, the annual decline attaining 10 per cent.

Rent, interest and miscellaneous investment income rose by 6 per cent over the \$3.1 billion in 1963 to reach a level of \$3.3 billion in 1964, mainly because of the rise in trading profits of government business enterprises and increased receipts from withholding taxes.

Net Income of Non-Farm Unincorporated Business

Net income of non-farm unincorporated business increased in 1964 to a level of \$2,587 million, about 5 per cent above the 1963 figure. The largest gain, over 13 per cent, was in the construction industry which contributed more than one-third of the increase in the total. Marked increases were also registered in service and finance industries.

Accrued Net Income of Farm Operators from Farm Production

Accrued net income of farm operators from farm production in 1964 was \$1,472 million, close to 15 per cent lower than the record level attained in 1963, but nearly 18 per cent higher than the 1954-1963 average. The largest part of the decrease can be attributed to a marked decline in the value of grain production; the value of the crop in 1964 is estimated at \$1,133 million, \$248 million less than in 1963.

Farm cash income, the largest component of farm net income, reached an all time high level of \$3,456 million, 8-1/2 per cent above the 1963 previous record. Major items contributing to the increase were wheat, flax, dairy products and potatoes. Offsetting the increase in farm cash income was a decline in farm grain inventories. Gross income declined 3 per cent.

Farm operating expenses showed a further increase above the previous record level reached in 1963. The increase, 4 per cent, was somewhat lower than the past ten-year average. Contributing to the increase in farm operating expenses were higher payments for fertilizers, interest on debts, operation of farm machinery including repair, livestock feed, and farm labour.

Farm Income

	1963	1964	Change 1964 1963	Per Cent Change 1964 1963
	(millions of dollars)			
Farm Cash Income	3,185	3,456	271	8.5
Income-In-Kind	357	371	14	3.9
Farm Inventory Change	311	- 99	-410	-
Gross Income	3,853	3,728	-125	-3.2
Deduct:				
Farm Operating Expenses	1,880	1,953	73	3.9
Depreciation	327	349	22	6.7
Add:				
Adjustment on Grain Transactions ^{1/}	138	110	-28	-
Other Adjustments	-59	-64	- 5	-
Accrued Net Income of Farm Operators	1,725	1,472	-253	-14.7

^{1/}This adjustment takes account of the undistributed profits of the Canadian Wheat Board.

The Fourth Quarter

Introductory Review

In the fourth quarter of 1964, when expansion in economic activity had been in progress for fifteen quarters, Gross National Product rose to \$48.0 billion at a seasonally adjusted annual rate, a gain of 1.3 per cent from the third quarter. With some rise in prices somewhat more than half of this increase represents a gain in real terms.

The slight slackening in the rate of increase in Gross National Product in the fourth quarter was the outcome of large and partly offsetting movements among major components. The rate of accumulation of business stocks fell sharply, in some part as a result of the strike-induced interruption of supplies to the automobile dealers. Meanwhile business expenditures on plant and equipment rose sharply and outlays on housing rose even more, possibly as a consequence of the renewal of the winter house-building incentive programme; the consumer market remained strong, with the emphasis shifting somewhat from durables to non-durables. Reversing a recent trend, the deficit on international current account rose sharply, reflecting, on the merchandise side, higher imports and the completion earlier in the year of shipments of wheat to the USSR; and on the service side a larger deficit on travel account.

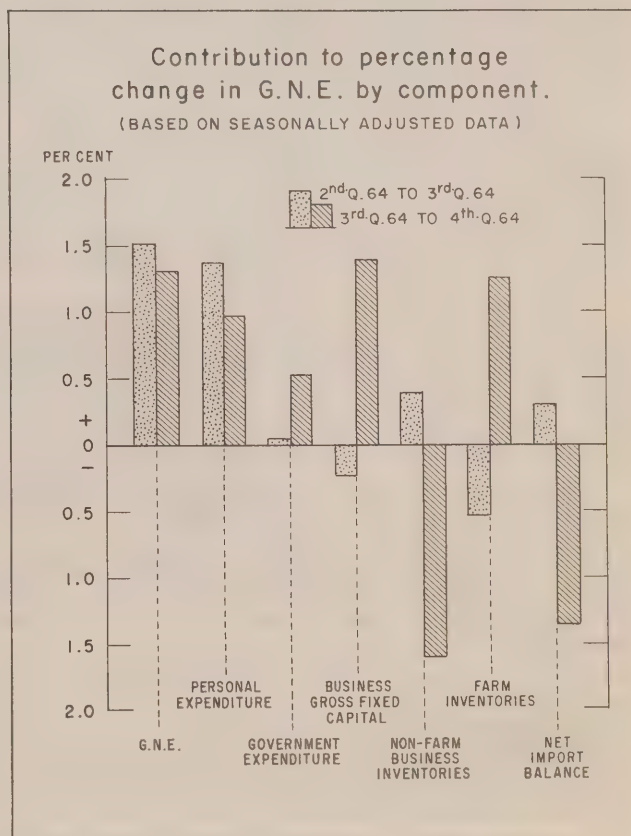
Turning to the income side, special factors account for some of the quarterly changes. The rate of increase in labour income slowed down in the fourth quarter but there were retroactive payments in the third quarter and labour disputes in the fourth. The sharp rise in corporate profits in the fourth quarter is partly accounted for by unusual foreign dividend payments to Canadian corporations and by the subsidies paid to railways.

Components of Expenditure

Personal expenditure on consumer goods and services, seasonally adjusted at annual rates, rose by almost half a billion dollars in the fourth quarter of 1964, an increase of more than 1-1/2 per cent from the previous quarter. In contrast to the third quarter when the main stimulus to growth came from durable goods, services and non-durable goods showed larger rates of growth in the final quarter.

Among goods, a 2-1/2 per cent gain in purchases of non-durables, one of the largest of the recent past, was largely offset by a 6-1/2 per cent decline in durable goods as net purchase of new and used cars dropped 14 per cent, probably reflecting strikes in the automobile industry. Increases of 1-1/2 per cent in food, 3 per cent in fuel, and 2 per cent in outlays on gasoline and auto parts were the chief contributors to the growth in non-durables; sales of alcoholic beverages fell slightly, influenced by a strike of employees of liquor retail outlets in the Province of Quebec.

Advances in services, which rose almost 3 per cent were widely distributed, with outlays on shelter and personal services exhibiting rates of growth of 3-1/2 per cent and 3 per cent respectively. Outlays for purchased transportation and medical care also showed gains in excess of 2 per cent.



Capital spending ended the year 7-1/2 per cent above the previous quarter. A marked increase in housing pushed up the figures but substantial gains were made in plant and equipment outlays. In the fourth quarter of 1964 capital outlays were 45 per cent higher than in the cyclically low first quarter of 1961.

	New residential construction	New Non-residential construction	New Machinery and equipment	Total
	(Seasonally Adjusted)			
	1st qtr.1961 = 100 (trough in general business activity)			
1964 - 1st quarter	155.0	125.0	143.0	138.5
2nd quarter	135.9	128.1	145.9	136.7
3rd quarter	133.3	133.3	137.8	135.1
4th quarter	151.6	141.7	145.4	145.3

Investment in housing reached a seasonally adjusted annual rate of \$2.1 billion in the fourth quarter, a gain of about 14 per cent. Non-residential construction was valued at an annual rate of \$3.6 billion, up 6 per cent from the third quarter, while investment in machinery and equipment advanced to an adjusted annual rate of \$3.7 billion, an increase of 5-1/2 per cent.

It may be noted that the second quarter National Accounts publication referred to special conditions accounting for an accelerated rate of increase in seasonally adjusted data after the third quarter of 1963. These special conditions included the stimulus of the winter house-building incentive scheme and the forward spending associated with the increase in the sales tax on building materials, which raised difficult problems of seasonally adjusting the data which have not yet been overcome.^{1/}

Investment in non-farm business inventories added little to total demand in the fourth quarter of 1964 in contrast to the significant demands imposed on production in the third quarter. Seasonally adjusted estimates show a stock increase of \$48 million at annual rates, compared with \$804 million in the previous quarter. This sharp drop in the rate of accumulation reflected substantially reduced stock-building in manufacturing and wholesale trade and a shift to depletion in retail trade and the total of the other industries.

In manufacturing, durable goods-producing industries showed on balance, a build-up of stocks, almost all of which occurred in the transportation equipment industry; the rate of build-up in this industry was, however, lower than in the previous quarter. On the other hand, the non-durable goods-producing industries showed a small depletion, the result of a drawing down of stocks in the food, petroleum and textiles industries, partially offset by accumulation in the tobacco, clothing and paper industries. By stage of manufacture, accumulation took place at the raw and goods-in-process levels, while the stocks of finished goods were depleted. With new orders running ahead of shipments, the quarter ended with an increased backlog of unfilled orders. The stock-to-shipments ratio was much lower than in the previous quarter.

^{1/}When these special circumstances first arose in the winter of 1963-1964 they were treated as an irregular event in the seasonal adjustment. This meant that the total effect of the special circumstances remained in the seasonally adjusted data and may even have been somewhat exaggerated by the seasonal adjustment process itself. With the repetition of the winter house-building incentive programme this year and the final stage of the progressive imposition of the sales tax on building materials being reached this winter, it was felt that at least the housing bonus is assuming some characteristics of seasonal behaviour. As a consequence, the seasonal factors for both 1963 and 1964 were modified to take account of this presumed new seasonal, and part of these special events has therefore been converted from an irregular to a seasonal occurrence.

In wholesale trades, a drawing-down of stocks occurred in the industrial and transportation equipment, in contrast to a substantial increase in the previous two quarters; this almost offset accumulation in the rest of the durable lines. In the non-durables, the movement was also mixed and resulted in a small accumulation. For the industry as a whole, the stock-to-sales ratio fell.

In retail trades, the depletion for the group as a whole reflected a drawing-down of stocks of food dealers and a drop in stocks in the hands of motor vehicle dealers, whose supply of new cars was curtailed by labour disputes in the automobile industry. The remaining trades increased their stocks. For the retail industry as a whole the stock-to-sales ratio did not change from the previous quarter.

The deficit in the external account climbed from an annual seasonally adjusted rate of \$28 million in the third quarter to \$672 million in the fourth quarter when exports of goods and services fell over 3 per cent to an annual rate of \$10,404 million and imports advanced over 2-1/2 per cent -- moving from \$10,784 to \$11,076 million.

Exports and Imports of Goods and Services
(Seasonally adjusted at annual rates)

	Goods			Services			Current balance
	Exports	Imports	Net	Exports	Imports	Net	
(millions of dollars)							
1963 - 1st quarter	6,664	6,216	448	1,948	2,920	-972	-524
2nd quarter	6,992	6,416	576	1,968	2,932	-964	-388
3rd quarter	7,008	6,704	304	1,992	3,076	-1,084	-780
4th quarter	7,664	6,980	684	2,072	3,160	-1,088	-404
1964 - 1st quarter	7,804	7,528	276	2,192	3,312	-1,120	-844
2nd quarter	8,480	7,572	908	2,124	3,200	-1,076	-168
3rd quarter	8,572	7,476	1,096	2,184	3,308	-1,124	-28
4th quarter	8,096	7,576	520	2,308	3,500	-1,192	-672

Exports of merchandise fell sharply and the surplus on goods, seasonally adjusted, dropped from \$1,096 to \$520 million. With a deficit on non-merchandise trade \$68 million greater, the current account deficit rose \$644 million.

The completion of grain deliveries to the USSR earlier in the year was the main factor in the sharp drop in exports in the fourth quarter. Small declines were recorded in sales of aluminum, farm machinery, newsprint, fertilizers, zinc and non-farm machinery. Together these offset a marked rise in sales of iron ore and small increases for fish, natural gas, wood pulp, crude petroleum, copper and asbestos. Commodity detail is not available to identify increases in merchandise imports.

The non-merchandise trade deficit moved from \$1,124 to \$1,192 million as a result of higher travel payments. Both receipts and payments of interest and dividends advanced to record levels with large non-recurring dividend receipts, and an unusually large dividend payment by a subsidiary in Canada. However, the change in receipts for this account almost offset the change in payments.

The Government Sector

Seasonally adjusted at annual rates, expenditures of all governments combined (including government transfers) increased by \$540 million or almost 3-1/2 per cent to a level of \$16,324 million in the fourth quarter from the previous period. Almost half of the increase was accounted for by higher expenditures on goods and services at the provincial-municipal level; federal expenditures on non-defence goods and services declined slightly while defence outlays remained stable. Another \$220 million of the increase (at annual rates) came as the result of a doubling of federal subsidy payments during the quarter due to large interim payments to the railways.

Total revenues of all governments combined increased by 2-1/2 per cent to a level of \$16,360 million in the fourth quarter. All components showed increases of varying degrees with the largest absolute increases occurring in taxation revenues. Investment income accruing to governments also increased substantially mainly owing to higher profits earned by government enterprises.

With expenditures rising more sharply than revenues, the surplus (on a National Accounts basis) of all governments combined declined from a seasonally adjusted rate of \$164 million in the third quarter to a rate of \$36 million in the fourth. Both the federal and provincial-municipal levels contributed about equally to the decline in the surplus.

Income Flows

Wages and salaries, seasonally adjusted, increased nearly 2 per cent from the third to fourth quarter of 1964. This increase is considerably lower than the gain of over 2-1/2 per cent recorded in the second to third quarter comparison. However, the third quarter included substantial retroactive wage payments while the fourth quarter was affected by industrial disputes.

Seasonally adjusted wages and salaries in the goods-producing industries were 2 per cent higher in the fourth quarter than in the previous quarter. Wages and salaries in construction rose sharply, nearly 9 per cent in the fourth quarter, following a moderate increase in the third and a decline in the second. Manufacturing wages and salaries, seasonally adjusted, increased less than 1 per cent in the fourth quarter; this increase would have been considerably larger but for industrial disputes.

Seasonally adjusted wages and salaries in the service-producing industries advanced less than 2 per cent from the third to the fourth quarter. Finance and service wages and salaries showed a gain of about 2-1/2 per cent, a quarterly rate similar to those recorded in the previous six quarters. Wages and salaries in trade rose less than 2 per cent in the third to fourth quarter comparison. Transportation, communication and other utilities wages and salaries, were 1-1/2 per cent higher; retroactive wage payments had been partly responsible for a relatively larger increase in the preceding period. Government non-military wages and salaries dropped in the fourth quarter, but this decline is fully accounted for by retroactive wage payments in the third quarter.

Corporation profits in the fourth quarter of 1964 were at a seasonally adjusted annual rate of \$4.9 billion, some 11-1/2 per cent above the preceding quarter. The largest contributions to the increase were made by mining, quarrying and oil wells and by transportation, storage and communication, due to larger railway subsidies. Electrical apparatus, chemicals, and wholesale trade also displayed notable strength. The strikes and parts shortages suffered by the transportation equipment industry adversely affected profits for the metal group. Other offsetting movements were widely dispersed throughout manufacturing industries.

Rent, interest and miscellaneous investment income, seasonally adjusted at annual rates, increased by over 4 per cent in the fourth quarter of 1964 and totalled \$3,388 million, mainly influenced by the previously mentioned increase in government trading profits more than offset the decline in other government investment income.

Accrued net income of farm operators from farm production, seasonally adjusted at annual rates, of \$1,404 million in the fourth quarter declined 2 per cent from the third quarter. Reflecting the much lower level of grain exports during the quarter, the earnings of the Canadian Wheat Board declined sharply; almost offsetting this decline were increased returns from the sale of farm products and an accumulation of livestock inventories.

On the other hand, seasonally adjusted net income of farm operators, which is reflected in the personal income account, increased by almost 12 per cent in the quarter with payments from the Canadian Wheat Board showing little change.

Production by Industry

Seasonally adjusted real domestic product less agriculture for the fourth quarter of 1964 was about 2 per cent above the level attained in the previous quarter, and almost 24 per cent above its first quarter, 1961, cyclical trough.

Construction, manufacturing and mining, in that order, were the largest contributors to the fourth quarter gain, with the first two jointly accounting for approximately one half of the total increase in non-agricultural real output.

Within manufacturing, which advanced by about 2 per cent, durables showed no change from the previous quarter, as the substantial decline in motor vehicles and parts production, resulting from strikes in the industry, was offset by increases in all other major groups. The iron and steel products, non-ferrous metal products and non-metallic mineral products groups, in particular, showed considerable gains. Non-durables increased by more than 3 per cent. Foods and beverages and chemical products, up by 5 and 7 per cent, respectively, accounted for the larger part of the gain in non-durables.

Increases of about 4 and 6 per cent respectively occurred in electric power and gas utilities and mining, with most components of metal mining substantially higher.

Among the remaining industry groups, transportation recorded an increase in the fourth quarter of 3 per cent, largely as a result of gains in railway and water transportation. The gain in trade of 1 per cent was concentrated in the retail area, particularly food stores and building material dealers, while motor vehicle dealer sales declined sharply. A similar pattern of gains and declines at the store level was discernible in wholesale trade.

Technical Note

Revisions to Government Data Introduced in this Publication

Beginning in 1961, the quarterly estimates of municipal revenues and expenditures have been improved with the incorporation of the results of a quarterly sample survey of municipal revenues and expenditures begun in 1961 by the Public Finance and Transportation Division; prior to this period the quarterly distribution is based on the movements of similar components in the provincial series. The estimates of quarterly provincial revenues and expenditures have also been improved with all provinces now submitting quarterly returns.

The user should note that, as a result, there have been substantial changes in quarterly patterns from those published previously for the years 1961 to 1964 inclusive. Consideration will be given later to the possibility of incorporating the newly established quarterly patterns in the historical record.

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1960-64
(millions of dollars)

No.		1960					1961				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Wages, salaries, and supplementary labour income	4,342	4,565	4,719	4,619	18,245	4,448	4,733	4,940	4,875	18,996
2	Military pay and allowances	119	129	127	134	509	129	140	137	144	550
3	Corporation profits before taxes	751	910	877	800	3,338	606	918	942	961	3,427
4	Deduct: Dividends paid to non-residents(1)	- 102	- 106	- 115	- 135	- 458	- 164	- 122	- 128	- 172	- 586
5	Rent, interest and miscellaneous investment income	610	605	604	651	2,470	628	628	685	729	2,670
6	Accrued net income of farm operators from farm production(2)	27	82	984	93	1,186	87	135	676	110	1,008
7	Net income of non-farm unincorporated business(3)	446	555	522	690	2,213	444	558	565	707	2,274
8	Inventory valuation adjustment(4)	- 37	- 46	15	- 2	- 70	- 10	- 11	- 41	- 27	- 89
9	NET NATIONAL INCOME AT FACTOR COST ...	6,156	6,694	7,733	6,850	27,433	6,168	6,979	7,776	7,327	28,250
10	Indirect taxes less subsidies	1,087	1,140	1,109	1,134	4,470	1,121	1,174	1,153	1,248	4,696
11	Capital consumption allowances and miscellaneous valuation adjustments	1,074	1,128	1,125	1,096	4,423	1,073	1,136	1,151	1,180	4,540
12	Residual error of estimate	- 41	- 192	78	116	- 39	- 80	- 60	54	71	- 15
13	GROSS NATIONAL PRODUCT AT MARKET PRICES	8,276	8,770	10,045	9,196	36,287	8,282	9,229	10,134	9,826	37,471
14	(Gross national product at market prices excluding accrued net income of farm operators)	(8,249)	(8,688)	(9,061)	(9,103)	(35,101)	(8,195)	(9,094)	(9,458)	(9,716)	(36,463)

(1) Includes the withholding tax applicable to this item.

(2) Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

TABLE 2. Gross National Expenditure, by Quarters, 1960-64
(millions of dollars)

No.		1960					1961				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal expenditure on consumer goods and services	5,423	5,888	5,780	6,449	23,540	5,615	6,102	6,049	6,700	24,466
2	Government expenditure on goods and services(1, 2)	1,527	1,524	1,970	1,748	6,769	1,561	1,767	2,029	1,879	7,236
3	Business gross fixed capital formation(3)	1,429	1,767	1,812	1,684	6,692	1,302	1,713	1,875	1,745	6,635
4	New residential construction	309	357	391	386	1,443	269	365	421	403	1,458
5	New non-residential construction	479	623	791	684	2,577	443	647	851	742	2,683
6	New machinery and equipment	641	787	630	614	2,672	590	701	603	600	2,494
7	Value of physical change in inventories(4)	162	- 138	668	- 282	410	45	- 117	279	- 177	30
8	Non-farm business inventories	410	- 45	- 102	62	325	272	- 5	- 75	247	439
9	Farm inventories and grain in commercial channels	- 248	- 93	770	- 344	85	- 227	- 112	354	- 424	- 409
10	Exports of goods and services	1,597	1,708	1,925	1,778	7,008	1,587	1,874	2,127	2,043	7,631
11	Deduct: Imports of goods and services	- 1,903	- 2,171	- 2,033	- 2,065	- 8,172	- 1,908	- 2,170	- 2,171	- 2,293	- 8,542
12	Residual error of estimate	41	192	- 77	- 116	40	80	60	- 54	- 71	15
13	GROSS NATIONAL EXPENDITURE AT MARKET PRICES	8,276	8,770	10,045	9,196	36,287	8,282	9,229	10,134	9,826	37,471

(1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

(2) For details of defence expenditures see line 3, Table 6.

(3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

TABLE 1. National Income and Gross National Product, by Quarters, 1960-64
(millions of dollars)

1962					1963					1964					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
4,763	5,060	5,242	5,168	20,233	5,058	5,358	5,566	5,564	21,546	5,479	5,804	6,070	6,063	23,416	1
147	152	145	142	586	136	157	148	157	598	140	150	147	146	583	2
746	1,032	972	1,000	3,750	797	1,094	1,022	1,083	3,996	941	1,238	1,141	1,260	4,580	3
- 131	- 155	- 120	- 178	- 584	- 149	- 123	- 124	- 217	- 613	- 171	- 126	- 141	- 247	- 685	4
669	686	688	828	2,871	732	749	766	846	3,093	789	789	802	897	3,277	5
50	119	1,196	133	1,498	46	137	1,373	169	1,725	11	187	1,118	156	1,472	6
502	608	570	696	2,376	520	619	598	735	2,472	545	652	627	763	2,587	7
- 34	- 36	- 44	1	- 113	- 34	- 78	- 36	- 47	- 195	- 35	- 73	22	- 35	- 121	8
6,712	7,466	8,649	7,790	30,617	7,106	7,913	9,313	8,290	32,622	7,699	8,621	9,786	9,003	35,109	9
1,260	1,315	1,368	1,330	5,273	1,361	1,337	1,411	1,459	5,568	1,502	1,587	1,631	1,611	6,331	10
1,156	1,243	1,237	1,278	4,914	1,209	1,295	1,283	1,385	5,172	1,331	1,410	1,386	1,480	5,607	11
- 142	- 161	59	1	- 243	- 161	- 130	72	37	- 182	- 88	- 107	100	51	- 44	12
8,986	9,863	11,313	10,399	40,561	9,515	10,415	12,079	11,171	43,180	10,444	11,511	12,903	12,145	47,003	13
(8,936)	(9,744)	(10,117)	(10,266)	(39,063)	(9,469)	(10,278)	(10,706)	(11,002)	(41,455)	(10,433)	(11,324)	(11,785)	(11,989)	(45,531)	14

(3) Includes net income of independent professional practitioners.

(4) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1960-64
(millions of dollars)

1962					1963					1964					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
6,050	6,480	6,291	7,092	25,913	6,351	6,818	6,688	7,559	27,416	6,863	7,294	7,181	8,093	29,431	1
1,693	1,955	2,118	1,944	7,710	1,805	1,972	2,210	2,037	8,024	1,949	2,128	2,318	2,212	8,607	2
1,385	1,818	1,934	1,823	6,960	1,441	1,980	2,091	2,079	7,591	1,875	2,314	2,344	2,435	8,968	3
293	392	457	435	1,577	298	414	478	517	1,707	462	451	513	595	2,021	4
481	650	795	712	2,638	461	707	866	801	2,835	558	808	1,003	974	3,343	5
611	776	682	676	2,745	682	859	747	761	3,049	855	1,055	828	866	3,604	6
34	- 191	1,066	- 352	557	- 6	- 286	1,145	- 362	491	2	- 181	942	- 383	380	7
281	- 67	106	15	335	233	- 199	32	134	200	288	11	202	9	510	8
- 247	- 124	960	- 367	222	- 239	- 87	1,113	- 496	291	- 286	- 192	740	- 392	- 130	9
1,735	2,083	2,257	2,184	8,259	1,847	2,253	2,468	2,509	9,077	2,129	2,714	2,907	2,690	10,440	10
- 2,054	- 2,444	- 2,294	- 2,290	- 9,082	- 2,084	- 2,453	- 2,451	- 2,613	- 9,601	- 2,463	- 2,866	- 2,689	- 2,850	- 10,868	11
143	162	- 59	- 2	244	161	131	- 72	- 38	182	89	108	- 100	- 52	45	12
8,986	9,863	11,313	10,399	40,561	9,515	10,415	12,079	11,171	43,180	10,444	11,511	12,903	12,145	47,003	13

(4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Source of Personal Income, by Quarters, 1960-64
(millions of dollars)

No.		1960					1961				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Wages, salaries, and supplementary labour income	4,342	4,565	4,719	4,619	18,245	4,448	4,733	4,940	4,875	18,996
2	Deduct: Employer and employee contributions to social insurance and government pension funds	- 190	- 169	- 195	- 197	- 751	- 197	- 189	- 202	- 199	- 787
3	Military pay and allowances	119	129	127	134	509	129	140	137	144	550
4	Net income received by farm operators from farm production(1)	44	86	973	74	1,177	107	114	660	97	978
5	Net income of non-farm unincorporated business	446	555	522	690	2,213	444	558	565	707	2,274
6	Interest, dividends and net rental income of persons(2)	713	732	708	729	2,882	727	751	755	797	3,030
	Transfer payments to persons:										
7	From government (excluding interest)	898	758	714	750	3,120	980	853	785	823	3,441
8	Charitable contributions by corporations	10	10	10	10	40	10	10	10	10	40
9	PERSONAL INCOME	6,382	6,666	7,578	6,809	27,435	6,648	6,970	7,650	7,254	28,522

(1) This item differs from line 6 of Table 1, by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 4. Disposition of Personal Income, by Quarters, 1960-64
(millions of dollars)

No.		1960					1961				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal direct taxes	556	640	578	586	2,360	577	678	627	629	2,511
2	Income taxes	429	551	500	499	1,979	454	586	540	545	2,125
3	Succession duties and estate taxes ..	49	38	32	39	158	37	33	38	38	146
4	Miscellaneous	78	51	46	48	223	86	59	49	46	240
5	Personal expenditure on consumer goods and services	5,423	5,888	5,780	6,449	23,540	5,615	6,102	6,049	6,700	24,466
6	Non-durable goods	2,653	2,842	2,913	3,405	11,813	2,734	2,937	3,016	3,491	12,178
7	Durable goods	582	754	599	729	2,664	556	750	648	762	2,716
8	Services(1)	2,188	2,292	2,268	2,315	9,063	2,325	2,415	2,385	2,447	9,572
9	Personal net saving	403	138	1,220	- 226	1,535	456	190	974	- 75	1,545
10	Personal saving excluding change in farm inventories	597	256	528	138	1,519	648	260	632	283	1,823
11	Value of physical change in farm inventories	- 194	- 118	692	- 364	16	- 192	- 70	342	- 358	- 278
12	PERSONAL INCOME	6,382	6,666	7,578	6,809	27,435	6,648	6,970	7,650	7,254	28,522
13	(Personal disposable income)(2)	(5,826)	(6,026)	(7,000)	(6,223)	(25,075)	(6,071)	(6,292)	(7,023)	(6,625)	(26,011)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 3. Source of Personal Income, by Quarters, 1960-64
(millions of dollars)

1962					1963					1964					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
4,763	5,060	5,242	5,168	20,233	5,058	5,358	5,566	5,564	21,546	5,479	5,804	6,070	6,063	23,416	1
- 200	- 195	- 208	- 209	- 812	- 209	- 204	- 216	- 218	- 847	- 221	- 219	- 225	- 227	- 892	2
147	152	145	142	586	136	157	148	157	598	140	150	147	146	583	3
19	218	1,152	103	1,492	17	188	1,316	66	1,587	161	98	1,021	82	1,362	4
502	608	570	696	2,376	520	619	598	735	2,472	545	652	627	763	2,587	5
774	819	823	892	3,308	851	891	878	935	3,555	907	934	929	990	3,760	6
1,065	919	839	906	3,729	1,026	975	887	950	3,838	1,115	1,038	986	1,020	4,159	7
11	11	11	11	44	11	11	11	11	44	11	11	11	11	44	8
7,081	7,592	8,574	7,709	30,956	7,410	7,995	9,188	8,200	32,793	8,137	8,468	9,566	8,848	35,019	9

TABLE 4. Disposition of Personal Income, by Quarters, 1960-64
(millions of dollars)

1962					1963					1964					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
633	724	680	693	2,730	683	747	723	758	2,911	765	909	852	881	3,407	1
503	627	587	599	2,316	556	646	628	657	2,487	623	791	749	767	2,930	2
41	40	43	41	165	36	41	43	51	171	41	57	39	48	185	3
89	57	50	53	249	91	60	52	50	253	101	61	64	66	292	4
6,050	6,480	6,291	7,092	25,913	6,351	6,818	6,688	7,559	27,416	6,863	7,294	7,181	8,093	29,431	5
2,964	3,097	3,201	3,699	12,961	3,089	3,208	3,364	3,847	13,508	3,246	3,394	3,569	4,146	14,355	6
645	836	630	841	2,952	677	910	686	950	3,223	799	992	796	971	3,558	7
2,441	2,547	2,460	2,552	10,000	2,585	2,700	2,638	2,762	10,685	2,818	2,908	2,816	2,976	11,518	8
398	388	1,603	- 76	2,313	376	430	1,777	- 117	2,466	509	265	1,533	- 126	2,181	9
572	418	759	388	2,137	595	481	747	332	2,155	775	388	785	332	2,280	10
- 174	- 30	844	- 464	176	- 219	- 51	1,030	- 449	311	- 266	- 123	748	- 458	- 99	11
7,081	7,592	8,574	7,709	30,956	7,410	7,995	9,188	8,200	32,793	8,137	8,468	9,566	8,848	35,019	12
(6,448)	(6,868)	(7,894)	(7,016)	(28,226)	(6,727)	(7,248)	(8,465)	(7,442)	(29,882)	(7,372)	(7,559)	(8,714)	(7,967)	(31,612)	13

TABLE 5. Government Revenue, by Quarters, 1960-64
(millions of dollars)

No.		1960					1961				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Direct taxes - Persons	556	640	578	586	2,360	577	678	627	629	2,511
2	Federal	447	557	506	507	2,017	461	582	543	546	2,132
3	Provincial and municipal	109	83	72	79	343	116	96	84	83	379
4	Direct taxes - Corporations	349	425	401	369	1,544	302	422	442	446	1,612
5	Federal	286	348	329	303	1,266	246	343	359	363	1,311
6	(Federal tax collections)	(302)	(400)	(360)	(302)	(1,364)	(297)	(360)	(314)	(296)	(1,267)
7	Provincial	63	77	72	66	278	56	79	83	83	301
8	(Provincial tax collections)	(81)	(79)	(81)	(61)	(302)	(76)	(70)	(74)	(64)	(284)
	Withholding taxes:										
9	Federal(1)	19	19	17	24	79	30	27	24	35	116
10	Indirect taxes	1,137	1,197	1,175	1,196	4,705	1,167	1,225	1,250	1,305	4,947
11	Federal	502	570	540	568	2,180	496	553	555	586	2,190
12	Provincial and municipal	635	627	635	628	2,525	671	672	695	719	2,757
13	Investment income	236	256	250	321	1,063	235	253	295	343	1,126
14	Federal	76	95	81	130	382	73	87	116	133	409
15	Provincial and municipal	160	161	169	191	681	162	166	179	210	717
16	Employer and employee contributions to social insurance and government pension funds	190	169	195	197	751	197	189	202	199	787
17	Federal	128	104	127	128	487	129	120	130	131	510
18	Provincial and municipal	62	65	68	69	264	68	69	72	68	277
	Transfers from Federal:										
19	Provincial and municipal	251	247	242	254	994	260	298	283	287	1,128
20	TOTAL REVENUE	2,738	2,953	2,858	2,947	11,496	2,768	3,092	3,123	3,244	12,227
21	FEDERAL	1,458	1,693	1,600	1,660	6,411	1,435	1,712	1,727	1,794	6,668
22	PROVINCIAL and MUNICIPAL	1,280	1,260	1,258	1,287	5,085	1,333	1,380	1,396	1,450	5,559

(1) Beginning in 1962, the withholding tax series has been adjusted to conform more closely with the flow of interest and dividends to non-residents.

TABLE 5. Government Revenue, by Quarters, 1960-64
(millions of dollars)

1962					1963					1964					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
633	724	680	693	2,730	683	747	723	758	2,911	765	909	852	881	3,407	1
468	563	526	531	2,088	488	572	555	578	2,193	549	699	648	662	2,558	2
165	161	154	162	642	195	175	168	180	718	216	210	204	219	849	3
360	454	439	449	1,702	386	488	459	488	1,821	426	534	499	530	1,989	4
269	339	328	335	1,271	288	363	342	363	1,356	317	398	372	395	1,482	5
(317)	(367)	(322)	(288)	(1,294)	(305)	(373)	(338)	(312)	(1,328)	(324)	(521)	(375)	(385)	(1,605)	6
91	115	111	114	431	98	125	117	125	465	109	136	127	135	507	7
(91)	(76)	(101)	(91)	(359)	(114)	(104)	(128)	(101)	(447)	(116)	(126)	(131)	(113)	(486)	8
26	35	23	41	125	31	30	23	43	127	30	34	25	51	140	9
1,323	1,382	1,432	1,428	5,565	1,416	1,428	1,495	1,540	5,879	1,566	1,653	1,706	1,723	6,648	10
528	596	635	642	2,401	551	592	621	687	2,451	616	719	739	773	2,847	11
795	786	797	786	3,164	865	836	874	853	3,428	950	934	967	950	3,801	12
276	293	282	406	1,257	305	334	336	401	1,376	350	365	362	442	1,519	13
73	105	84	186	448	96	131	126	149	502	119	133	129	166	547	14
203	188	198	220	809	209	203	210	252	874	231	232	233	276	972	15
200	195	208	209	812	209	204	216	218	847	221	219	225	227	892	16
129	122	133	134	518	134	126	136	138	534	141	136	140	141	558	17
71	73	75	75	294	75	78	80	80	313	80	83	85	86	334	18
299	257	277	301	1,134	304	311	266	288	1,169	298	327	306	323	1,254	19
3,117	3,340	3,341	3,527	13,325	3,334	3,542	3,518	3,736	14,130	3,656	4,041	3,975	4,177	15,849	20
1,493	1,760	1,729	1,869	6,851	1,588	1,814	1,803	1,958	7,163	1,772	2,119	2,053	2,188	8,132	21
1,624	1,580	1,612	1,658	6,474	1,746	1,728	1,715	1,778	6,967	1,884	1,922	1,922	1,989	7,717	22

TABLE 6. Government Expenditure, by Quarters, 1960-64
(millions of dollars)

No.		1960					1961				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Goods and services	1,527	1,524	1,970	1,748	6,769	1,561	1,767	2,029	1,879	7,236
2	Federal	671	634	733	692	2,730	689	716	811	766	2,982
3	(Defence)	(433)	(336)	(387)	(390)	(1,546)	(436)	(366)	(391)	(420)	(1,613)
4	Provincial and municipal	856	890	1,237	1,056	4,039	872	1,051	1,218	1,113	4,254
5	Transfer payments to persons (excluding interest on the public debt)	898	758	714	750	3,120	980	853	785	823	3,441
6	Federal	579	491	435	471	1,976	600	516	423	467	2,006
7	Provincial and municipal	319	267	279	279	1,144	380	337	362	356	1,435
8	Interest on the public debt	249	291	264	291	1,095	261	308	290	311	1,170
9	Federal(2)	179	191	199	184	753	183	203	200	200	786
10	Provincial and municipal	70	100	65	107	342	78	105	90	111	384
11	Subsidies	50	57	66	62	235	46	51	97	57	251
12	Federal	48	53	54	54	209	42	48	83	48	221
13	Provincial	2	4	12	8	26	4	3	14	9	30
	Transfers to other levels of government:										
14	Federal	251	247	242	254	994	260	298	283	287	1,128
15	Total expenditure	2,975	2,877	3,256	3,105	12,213	3,108	3,277	3,484	3,357	13,226
16	Federal	1,728	1,616	1,663	1,655	6,662	1,774	1,781	1,800	1,768	7,123
17	Provincial and municipal	1,247	1,261	1,593	1,450	5,551	1,334	1,496	1,684	1,589	6,103
18	Deficit (-) or surplus (+)	- 237	76	- 398	- 158	- 717	- 340	- 185	- 361	- 113	- 999
19	Federal	- 270	77	- 63	5	- 251	- 339	- 69	- 73	26	- 455
20	Provincial and municipal	33	- 1	- 335	- 163	- 466	- 1	- 116	- 288	- 139	- 544
21	TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	2,738	2,953	2,858	2,947	11,496	2,768	3,092	3,123	3,244	12,227
22	FEDERAL	1,458	1,693	1,600	1,660	6,411	1,435	1,712	1,727	1,794	6,668
23	PROVINCIAL AND MUNICIPAL	1,280	1,260	1,258	1,287	5,085	1,333	1,380	1,396	1,450	5,559

(1) In this quarter the federal deficit is irregularly high by about \$75 million and the provincial - municipal surplus also correspondingly high as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements.

TABLE 6. Government Expenditure, by Quarters, 1960-64
(millions of dollars)

1962					1963					1964					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
1,693	1,955	2,118	1,944	7,710	1,805	1,972	2,210	2,037	8,024	1,949	2,128	2,318	2,212	8,607	1
752	772	776	723	3,023	722	715	782	720	2,939	791	736	784	731	3,042	2
(471)	(401)	(397)	(409)	(1,678)	(409)	(375)	(392)	(400)	(1,576)	(457)	(364)	(357)	(374)	(1,552)	3
941	1,183	1,342	1,221	4,687	1,083	1,257	1,428	1,317	5,085	1,158	1,392	1,534	1,481	5,565	4
1,065	919	839	906	3,729	1,026	975	887	950	3,838	1,115	1,038	986	1,020	4,159	5
663	521	451	477	2,112	628	535	461	513	2,137	634	566	503	532	2,235	6
402	398	388	429	1,617	398	440	426	437	1,701	481	472	483	488	1,924	7
292	339	325	346	1,302	322	374	347	377	1,420	350	405	369	408	1,532	8
200	219	230	217	866	216	244	243	232	935	236	259	253	247	995	9
92	120	95	129	436	106	130	104	145	485	114	146	116	161	537	10
63	67	64	98	292	55	91	84	81	311	64	66	75	112	317	11
57	63	50	90	260	51	86	64	74	275	60	61	52	105	278	12
6	4	14	8	32	4	5	20	7	36	4	5	23	7	39	13
299	257	277	301	1,134	304	311	266	288	1,169	298	327	306	323	1,254	14
3,412	3,537	3,623	3,595	14,167	3,512	3,723	3,794	3,733	14,762	3,776	3,964	4,054	4,075	15,869	15
1,971	1,832	1,784	1,808	7,395	1,921	1,891	1,816	1,827	7,455	2,019	1,949	1,898	1,938	7,804	16
1,441	1,705	1,839	1,787	6,772	1,591	1,832	1,978	1,906	7,307	1,757	2,015	2,156	2,137	8,065	17
- 295	- 197	- 282	- 68	- 842	- 178	- 181	- 276	3	- 632	- 120	77	- 79	102	- 20	18
- 478(1)	- 72	- 55	61	- 544	- 333	- 77	- 13	131	- 292	- 247	170	155	250	328	19
183(1)	- 125	- 227	- 129	- 298	155	- 104	- 263	- 128	- 340	127	- 93	- 234	- 148	- 348	20
3,117	3,340	3,341	3,527	13,325	3,334	3,542	3,518	3,736	14,130	3,656	4,041	3,975	4,177	15,849	21
1,493	1,760	1,729	1,869	6,851	1,588	1,814	1,803	1,958	7,163	1,772	2,119	2,053	2,188	8,132	22
1,624	1,580	1,612	1,658	6,474	1,746	1,728	1,715	1,778	6,967	1,884	1,922	1,922	1,989	7,717	23

(2) The annual and the quarterly series of the federal public debt are on an accrual basis; prior to 1960 they are on a "due-date" basis.

TABLE 7. Source of National Saving, by Quarters, 1960-64
(millions of dollars)

No.		1960					1961				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal net saving	403	138	1,220	- 226	1,535	456	190	974	- 75	1,545
2	Business gross saving	1,238	1,382	1,380	1,269	5,269	1080	1,426	1,430	1,391	5,327
3	Undistributed corporation profits ...	181	258	244	154	837	27	269	263	198	757
4	Capital consumption allowances and miscellaneous valuation adjustments	1,074	1,128	1,125	1,096	4,423	1,073	1,136	1,151	1,180	4,540
5	Adjustment on grain transac- tions(1)	- 17	- 4	11	19	9	- 20	21	16	13	30
6	Inventory valuation adjustment	- 37	- 46	15	- 2	- 70	- 10	- 11	- 41	- 27	- 89
7	Government surplus (+) or deficit (-)	- 237	76	- 398	- 158	- 717	- 340	- 185	- 361	- 113	- 999
8	Residual error of estimate	- 41	- 192	78	116	- 39	- 80	- 60	54	71	- 15
9	Totals	1,326	1,358	2,295	999	5,978	1,106	1,360	2,056	1,247	5,769

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 8. Disposition of National Saving, by Quarters, 1960-64
(millions of dollars)

No.		1960					1961				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Business gross fixed capital formation	1,429	1,767	1,812	1,684	6,692	1,302	1,713	1,875	1,745	6,635
2	New residential construction	309	357	391	386	1,443	269	365	421	403	1,458
3	New non-residential construction	479	623	791	684	2,577	443	647	851	742	2,683
4	New machinery and equipment	641	787	630	614	2,672	590	701	603	600	2,494
5	Value of physical change in inventories	162	- 138	668	- 282	410	45	- 117	279	- 177	30
6	Surplus (+) or deficit (-) on current account with non-residents	- 306	- 463	- 108	- 287	- 1,164	- 321	- 296	- 44	- 250	- 911
7	Residual error of estimate	41	192	- 77	- 116	40	80	60	- 54	- 71	15
8	Totals	1,326	1,358	2,295	999	5,978	1,106	1,360	2,056	1,247	5,769

TABLE 7. Source of National Saving, by Quarters, 1960-64
(millions of dollars)

1962					1963					1964					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
398	388	1,603	- 76	2,313	376	430	1,777	- 117	2,466	509	265	1,533	- 126	2,181	1
1,316	1,434	1,568	1,505	5,823	1,356	1,584	1,644	1,699	6,283	1,366	1,927	1,828	1,848	6,969	2
129	290	287	197	903	118	340	304	211	973	185	428	345	294	1,252	3
1,156	1,243	1,237	1,278	4,914	1,209	1,295	1,283	1,385	5,172	1,331	1,410	1,386	1,480	5,607	4
31	- 99	44	30	6	29	- 51	57	103	138	- 150	89	97	74	110	5
- 34	- 36	- 44	1	- 113	- 34	- 78	- 36	- 47	- 195	- 35	- 73	22	- 35	- 121	6
- 295	- 197	- 282	- 68	- 842	- 178	- 181	- 276	3	- 632	- 120	77	- 79	102	- 20	7
- 142	- 161	59	1	- 243	- 161	- 130	72	37	- 182	- 88	- 107	100	51	- 44	8
1,243	1,428	2,904	1,363	6,938	1,359	1,625	3,181	1,575	7,740	1,632	2,089	3,404	1,840	8,965	9

TABLE 8. Disposition of National Saving, by Quarters, 1960-64
(millions of dollars)

1962					1963					1964					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
1,385	1,818	1,934	1,823	6,960	1,441	1,980	2,091	2,079	7,591	1,875	2,314	2,344	2,435	8,968	1
293	392	457	435	1,577	298	414	478	517	1,707	462	451	513	595	2,021	2
481	650	795	712	2,638	461	707	866	801	2,835	558	808	1,003	974	3,343	3
611	776	682	676	2,745	682	859	747	761	3,049	855	1,055	828	866	3,604	4
34	- 191	1,066	- 352	557	- 6	- 286	1,145	- 362	491	2	- 181	942	- 383	380	5
- 319	- 361	- 37	- 106	- 823	- 237	- 200	17	- 104	- 524	- 334	- 152	218	- 160	- 428	6
143	162	- 59	- 2	244	161	131	- 72	- 38	182	89	108	- 100	- 52	45	7
1,243	1,428	2,904	1,363	6,938	1,359	1,625	3,181	1,575	7,740	1,632	2,089	3,404	1,840	8,965	8

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1960-64(1)
(millions of dollars)

No.		1960					1961				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal expenditure on consumer goods and services	5,182	5,605	5,497	6,118	22,402	5,307	5,769	5,702	6,327	23,105
2	Non-durable goods	2,593	2,763	2,821	3,283	11,460	2,636	2,835	2,892	3,360	11,723
3	Durable goods	553	725	590	714	2,582	543	735	651	757	2,686
4	Services	2,036	2,117	2,086	2,121	8,360	2,128	2,199	2,159	2,210	8,696
5	Government expenditure on goods and services	1,392	1,415	1,865	1,596	6,268	1,365	1,612	1,916	1,669	6,562
6	Business gross fixed capital formation	1,339	1,645	1,683	1,564	6,231	1,201	1,585	1,733	1,606	6,125
7	New residential construction	287	327	357	352	1,323	246	333	383	366	1,328
8	New non-residential construction	446	582	737	639	2,404	409	600	795	690	2,494
9	New machinery and equipment	606	736	589	573	2,504	546	652	555	550	2,303
10	Change in inventories	156	- 159	642	- 242	397	51	- 152	243	- 113	29
11	Non-farm business inventories	396	- 35	- 107	71	325	263	1	- 83	252	433
12	Farm inventories and grain in commercial channels	- 240	- 124	749	- 313	72	- 212	- 153	326	- 365	- 404
13	Exports of goods and services	1,585	1,667	1,883	1,749	6,884	1,559	1,835	2,039	1,946	7,379
14	Deduct: Imports of goods and services	- 1,885	- 2,122	- 1,984	- 2,029	- 8,020	- 1,842	- 2,091	- 2,040	- 2,159	- 8,132
15	Residual error of estimate	39	181	- 73	- 109	38	74	56	- 51	- 66	13
16	GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	7,808	8,232	9,513	8,647	34,200	7,715	8,614	9,542	9,210	35,081

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, derived by dividing the value figures in Table 2 by the constant dollar figures in Table 9, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1960-64
(millions of dollars)

1962					1963					1964					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
5,684	6,053	5,834	6,586	24,157	5,875	6,284	6,101	6,925	25,185	6,256	6,621	6,454	7,303	26,634	1
2,849	2,957	3,026	3,493	12,325	2,920	3,018	3,114	3,575	12,627	3,013	3,129	3,249	3,802	13,193	2
640	828	627	831	2,926	669	898	679	938	3,184	796	988	800	967	3,551	3
2,195	2,268	2,181	2,262	8,906	2,286	2,368	2,308	2,412	9,374	2,447	2,504	2,405	2,534	9,890	4
1,424	1,738	1,948	1,685	6,795	1,471	1,681	1,956	1,689	6,797	1,551	1,767	1,988	1,793	7,099	5
1,258	1,639	1,738	1,630	6,265	1,277	1,747	1,829	1,804	6,657	1,610	1,961	1,979	2,042	7,592	6
263	348	403	383	1,397	261	358	409	433	1,461	383	367	411	475	1,636	7
439	591	725	644	2,399	410	628	768	706	2,512	486	699	865	831	2,881	8
556	700	610	603	2,469	606	761	652	665	2,684	741	895	703	736	3,075	9
70	- 204	956	- 298	524	30	- 308	1,054	- 315	461	52	- 208	846	- 337	353	10
274	- 72	89	18	309	232	- 182	21	119	190	297	16	161	11	485	11
- 204	- 132	867	- 316	215	- 202	- 126	1,033	- 434	271	- 245	- 224	685	- 348	- 132	12
1,648	1,949	2,113	2,041	7,751	1,728	2,092	2,296	2,302	8,418	1,951	2,461	2,619	2,432	9,463	13
- 1,897	- 2,222	- 2,082	- 2,105	- 8,306	- 1,877	- 2,186	- 2,159	- 2,316	- 8,538	- 2,151	- 2,490	- 2,351	- 2,511	- 9,503	14
132	150	- 55	- 2	225	146	119	- 66	- 34	165	79	96	- 89	- 46	40	15
8,319	9,103	10,452	9,537	37,411	8,650	9,429	11,011	10,055	39,145	9,348	10,208	11,446	10,676	41,678	16

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1960-64 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1960				
		I	II	III	IV	Year
1	Wages, salaries, and supplementary labour income	18,084	18,172	18,312	18,412	18,245
2	Military pay and allowances	496	500	504	536	509
3	Corporation profits before taxes	3,612	3,332	3,320	3,088	3,338
4	Deduct: Dividends paid to non-residents(1)	- 448	- 468	- 492	- 424	- 458
5	Rent, interest and miscellaneous investment income	2,536	2,476	2,440	2,428	2,470
6	Accrued net income of farm operators from farm production(2)	1,184	1,136	1,196	1,228	1,186
7	Net income of non-farm unincorporated business(3)	2,104	2,196	2,220	2,332	2,213
8	Inventory valuation adjustment	- 148	- 184	60	- 8	- 70
9	NET NATIONAL INCOME AT FACTOR COST	27,420	27,160	27,560	27,592	27,433
10	Indirect taxes less subsidies	4,456	4,512	4,436	4,476	4,470
11	Capital consumption allowances and miscellaneous valuation adjustments	4,492	4,440	4,436	4,324	4,423
12	Residual error of estimate	156	- 292	- 152	132	- 39
13	GROSS NATIONAL PRODUCT AT MARKET PRICES	36,524	35,820	36,280	36,524	36,287
14	(Gross national product at market prices excluding accrued net income of farm operators)	(35,340)	(34,684)	(35,084)	(35,296)	(35,101)
No.		1963				
		I	II	III	IV	Year
1	Wages, salaries, and supplementary labour income	20,996	21,308	21,712	22,168	21,546
2	Military pay and allowances	560	608	596	628	598
3	Corporation profits before taxes	3,900	3,960	3,940	4,184	3,996
4	Deduct: Dividends paid to non-residents(1)	- 608	- 560	- 596	- 688	- 613
5	Rent, interest and miscellaneous investment income	2,992	3,072	3,112	3,196	3,093
6	Accrued net income of farm operators from farm production(2)	1,720	1,708	1,664	1,808	1,725
7	Net income of non-farm unincorporated business(3)	2,448	2,440	2,496	2,504	2,472
8	Inventory valuation adjustment	- 136	- 312	- 144	- 188	- 195
9	NET NATIONAL INCOME AT FACTOR COST	31,872	32,224	32,780	33,612	32,622
10	Indirect taxes less subsidies	5,572	5,308	5,640	5,752	5,568
11	Capital consumption allowances and miscellaneous valuation adjustments	4,996	5,140	5,160	5,392	5,172
12	Residual error of estimate	- 280	- 112	- 192	- 144	- 182
13	GROSS NATIONAL PRODUCT AT MARKET PRICES	42,160	42,560	43,388	44,612	43,180
14	(Gross national product at market prices excluding accrued net income of farm operators)	(40,440)	(40,852)	(41,724)	(42,804)	(41,455)

(1) See Footnote 1, Table 1.

(2) Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

(3) Includes net income of independent professional practitioners.

TABLE 10. National Income and Gross National Product, by Quarters, 1960-64 Seasonally Adjusted at Annual Rates
(millions of dollars)

1961					1962					No.
I	II	III	IV	Year	I	II	III	IV	Year	
18,504	18,832	19,200	19,448	18,996	19,800	20,128	20,396	20,608	20,233	1
532	540	552	576	550	600	588	584	572	586	2
2,956	3,384	3,608	3,760	3,427	3,636	3,752	3,724	3,888	3,750	3
- 656	- 540	- 564	- 584	- 586	- 524	- 684	- 564	- 564	- 584	4
2,588	2,576	2,780	2,736	2,670	2,744	2,812	2,808	3,120	2,871	5
1,040	1,008	1,096	888	1,008	1,512	1,408	1,512	1,560	1,498	6
2,056	2,224	2,400	2,416	2,274	2,376	2,396	2,352	2,380	2,376	7
- 40	- 44	- 164	- 108	- 89	- 136	- 144	- 176	4	- 113	8
26,980	27,980	28,908	29,132	28,250	30,008	30,256	30,636	31,568	30,617	9
4,604	4,660	4,624	4,896	4,696	5,172	5,224	5,468	5,228	5,273	10
4,448	4,488	4,556	4,668	4,540	4,780	4,916	4,944	5,016	4,914	11
104	92	- 220	- 36	- 15	- 164	- 300	- 220	- 288	- 243	12
36,136	37,220	37,868	38,660	37,471	39,796	40,096	40,828	41,524	40,561	13
(35,096)	(36,212)	(36,772)	(37,772)	(36,463)	(38,284)	(38,688)	(39,316)	(39,964)	(39,063)	14
1964										
I	II	III	IV	Year						
22,732	23,100	23,704	24,128	23,416						
572	576	584	600	583						
4,596	4,468	4,376	4,880	4,580						
- 684	- 588	- 680	- 788	- 685						
3,220	3,252	3,248	3,388	3,277						
1,372	1,680	1,432	1,404	1,472						
2,548	2,584	2,624	2,592	2,587						
- 140	- 292	88	- 140	- 121						
34,216	34,780	35,376	36,064	35,109						
6,140	6,340	6,500	6,344	6,331						
5,512	5,580	5,596	5,740	5,607						
52	- 16	- 80	- 132	- 44						
45,920	46,684	47,392	48,016	47,003						
(44,548)	(45,004)	(45,960)	(46,612)	(45,531)						

TABLE 11. Gross National Expenditure, by Quarters, 1960-64 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1960				
		I	II	III	IV	Year
1	Personal expenditure on consumer goods and services	23,132	23,456	23,580	23,992	23,540
2	Government expenditure on goods and services (1, 2)	6,664	6,532	6,980	6,900	6,769
3	Business gross fixed capital formation(3)	6,988	6,624	6,552	6,604	6,692
4	New residential construction	1,592	1,400	1,396	1,384	1,443
5	New non-residential construction	2,640	2,544	2,572	2,552	2,577
6	New machinery and equipment	2,756	2,680	2,584	2,668	2,672
7	Value of physical change in inventories	976	348	- 56	372	410
8	Non-farm business inventories	924	280	- 140	236	325
9	Farm inventories and grain in commercial channels(4)	52	68	84	136	85
10	Exports of goods and services	7,276	6,760	7,096	6,900	7,008
11	Deduct: Imports of goods and services	- 8,356	- 8,192	- 8,024	- 8,116	- 8,172
12	Residual error of estimate	- 156	292	152	- 128	40
13	GROSS NATIONAL EXPENDITURE AT MARKET PRICES	36,524	35,820	36,280	36,524	36,287
Detail of Farm Inventories and GICC:						
	Value of grain crop production	1,008	1,008	1,012	1,012	1,010
	Depletions of farm stocks of grain	- 920	- 1,028	- 1,060	- 1,024	- 1,008
	Change in livestock inventories	40	- 84	20	80	14
	Grain in Commercial Channels	- 76	172	112	68	69
No.		1963				
		I	II	III	IV	Year
1	Personal expenditure on consumer goods and services	26,744	27,140	27,632	28,148	27,416
2	Government expenditure on goods and services(1, 2)	7,980	7,884	8,112	8,120	8,024
3	Business gross fixed capital formation(3)	7,112	7,512	7,704	8,036	7,591
4	New residential construction	1,596	1,668	1,732	1,832	1,707
5	New non-residential construction	2,640	2,864	2,880	2,956	2,835
6	New machinery and equipment	2,876	2,980	3,092	3,248	3,049
7	Value of physical change in inventories	568	296	528	572	491
8	Non-farm business inventories	184	- 132	248	500	200
9	Farm inventories and grain in commercial channels(4)	384	428	280	72	291
10	Exports of goods and services	8,612	8,960	9,000	9,736	9,077
11	Deduct: Imports of goods and services	- 9,136	- 9,348	- 9,780	- 10,140	- 9,601
12	Residual error of estimate	280	116	192	140	182
13	GROSS NATIONAL EXPENDITURE AT MARKET PRICES	42,160	42,560	43,388	44,612	43,180
Detail of Farm Inventories and GICC:						
	Value of grain crop production	1,380	1,380	1,384	1,380	1,381
	Depletions of farm stocks of grain	- 1,084	- 1,052	- 1,160	- 1,180	- 1,119
	Change in livestock inventories	20	68	16	92	49
	Grain in Commercial Channels	68	32	40	- 220	- 20

(1) See footnote 1, Table 2.

(2) For details of defence expenditures, see line 3, Table 15.

(3) See footnote 3, Table 2.

(4) In the seasonally adjusted series, the value of grain production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 2, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 11. Gross National Expenditure, by Quarters, 1960-64 Seasonally Adjusted at Annual Rates
(millions of dollars)

1961					1962					No.
I	II	III	IV	Year	I	II	III	IV	Year	
23,828	24,332	24,752	24,952	24,466	25,612	25,760	25,876	26,404	25,913	1
6,984	7,112	7,356	7,492	7,236	7,488	7,860	7,716	7,776	7,710	2
6,456	6,544	6,768	6,772	6,635	6,856	6,896	7,008	7,080	6,960	3
1,404	1,468	1,500	1,460	1,458	1,540	1,580	1,604	1,584	1,577	4
2,532	2,660	2,780	2,760	2,683	2,716	2,636	2,588	2,612	2,638	5
2,520	2,416	2,488	2,552	2,494	2,600	2,680	2,816	2,884	2,745	6
- 20	184	- 452	408	30	576	356	928	368	557	7
312	528	- 8	924	439	384	296	636	24	335	8
- 332	- 344	- 444	- 516	- 409	192	60	292	344	222	9
7,308	7,328	7,916	7,972	7,631	8,012	8,236	8,352	8,436	8,259	10
- 8,316	- 8,184	- 8,692	- 8,976	- 8,542	- 8,912	- 9,316	- 9,268	- 8,832	- 9,082	11
- 104	- 96	220	40	15	164	304	216	292	244	12
36,136	37,220	37,868	38,660	37,471	39,796	40,096	40,828	41,524	40,561	13
624	624	628	624	625	1,184	1,184	1,184	1,188	1,185	
- 1,060	- 1,044	- 912	- 744	- 940	- 876	- 920	- 1,160	- 1,176	- 1,033	
108	112	24	- 96	37	32	20	56	- 12	24	
- 4	- 36	- 184	- 300	- 131	- 148	- 224	212	344	46	
1964										
I	II	III	IV	Year						
28,852	29,040	29,684	30,148	29,431						
8,564	8,524	8,544	8,796	8,607						
8,944	8,828	8,720	9,380	8,968						
2,176	1,908	1,872	2,128	2,021						
3,164	3,244	3,376	3,588	3,343						
3,604	3,676	3,472	3,664	3,604						
452	448	388	232	380						
572	616	804	48	510						
- 120	- 168	- 416	184	- 130						
9,996	10,604	10,756	10,404	10,440						
- 10,840	- 10,772	- 10,784	- 11,076	- 10,868						
- 48	12	84	132	45						
45,920	46,684	47,392	48,016	47,003						
1,132	1,132	1,136	1,132	1,133						
- 1,376	- 1,356	- 1,180	- 1,216	- 1,282						
48	136	- 40	56	50						
76	- 80	- 332	212	- 31						

TABLE 12. Source of Personal Income, by Quarters, 1960-64 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1960					1961				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Wages, salaries, and supplementary labour income	18,084	18,172	18,312	18,412	18,245	18,504	18,832	19,200	19,448	18,996
2	Deduct: Employer and employee contributions to social insurance and government pension funds	- 756	- 700	- 772	- 776	- 751	- 784	- 776	- 800	- 788	- 787
3	Military pay and allowances ...	496	500	504	536	509	532	540	552	576	550
4	Net income received by farm operators from farm production(1)	1,160	1,124	1,188	1,236	1,177	1,000	880	1,092	940	978
5	Net income of non-farm unincorporated business	2,104	2,196	2,220	2,332	2,213	2,056	2,224	2,400	2,416	2,274
6	Interest, dividends and net rental income of persons(2)	2,908	2,892	2,896	2,832	2,882	2,960	2,980	3,072	3,108	3,030
	Transfer payments to persons:										
7	From government (excluding interest)	3,032	2,984	3,200	3,264	3,120	3,424	3,372	3,468	3,500	3,441
8	Charitable contributions by corporations	40	40	40	40	40	40	40	40	40	40
9	PERSONAL INCOME	27,068	27,208	27,588	27,876	27,435	27,732	28,092	29,024	29,240	28,522

(1) This item differs from line 6, Table 10 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 13. Disposition of Personal Income, by Quarters, 1960-64 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1960					1961				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal direct taxes	2,340	2,380	2,348	2,372	2,360	2,412	2,512	2,548	2,572	2,511
2	Income taxes	1,928	2,004	1,996	1,988	1,979	2,028	2,136	2,152	2,184	2,125
3	Succession duties and estate taxes	196	152	128	156	158	148	132	152	152	146
4	Miscellaneous	216	224	224	228	223	236	244	244	236	240
5	Personal expenditure on consumer goods and services ...	23,132	23,456	23,580	23,992	23,540	23,828	24,332	24,752	24,952	24,466
6	Non-durable goods	11,616	11,772	11,852	12,012	11,813	11,876	12,204	12,236	12,396	12,178
7	Durable goods	2,664	2,660	2,608	2,724	2,664	2,556	2,648	2,880	2,780	2,716
8	Services(1)	8,852	9,024	9,120	9,256	9,063	9,396	9,480	9,636	9,776	9,572
9	Personal net saving	1,596	1,372	1,660	1,512	1,535	1,492	1,248	1,724	1,716	1,545
10	PERSONAL INCOME	27,068	27,208	27,588	27,876	27,435	27,732	28,092	29,024	29,240	28,522
11	(Personal disposable income)(2)	(24,728)	(24,828)	(25,240)	(25,504)	(25,075)	(25,320)	(25,580)	(26,476)	(26,668)	(26,011)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 12. Source of Personal Income, by Quarters, 1960-64 Seasonally Adjusted at Annual Rates
(millions of dollars)

1962					1963					1964					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
19,800	20,128	20,396	20,608	20,233	20,996	21,308	21,712	22,168	21,546	22,732	23,100	23,704	24,128	23,416	1
- 796	- 800	- 824	- 828	- 812	- 828	- 840	- 856	- 864	- 847	- 876	- 900	- 892	- 900	- 892	2
600	588	584	572	586	560	608	596	628	598	572	576	584	600	583	3
1,264	1,768	1,384	1,552	1,492	1,464	1,860	1,488	1,536	1,587	1,828	1,276	1,108	1,236	1,362	4
2,376	2,396	2,352	2,380	2,376	2,448	2,440	2,496	2,504	2,472	2,548	2,584	2,624	2,592	2,587	5
3,148	3,252	3,356	3,476	3,308	3,460	3,536	3,572	3,652	3,555	3,688	3,708	3,788	3,856	3,760	6
3,880	3,632	3,600	3,804	3,729	3,764	3,840	3,804	3,944	3,838	4,148	4,096	4,200	4,192	4,159	7
44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	8
30,316	31,008	30,892	31,608	30,956	31,908	32,796	32,856	33,612	32,793	34,684	34,484	35,160	35,748	35,019	9

TABLE 13. Disposition of Personal Income, by Quarters, 1960-64 Seasonally Adjusted at Annual Rates
(millions of dollars)

1962					1963					1964					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
2,648	2,688	2,764	2,820	2,730	2,868	2,764	2,932	3,080	2,911	3,232	3,364	3,452	3,580	3,407	1
2,240	2,284	2,344	2,396	2,316	2,480	2,340	2,504	2,624	2,487	2,784	2,868	2,996	3,072	2,930	2
164	160	172	164	165	144	164	172	204	171	164	228	156	192	185	3
244	244	248	260	249	244	260	256	252	253	284	268	300	316	292	4
25,612	25,760	25,876	26,404	25,913	26,744	27,140	27,632	28,148	27,416	28,852	29,040	29,684	30,148	29,431	5
12,856	12,832	12,984	13,172	12,961	13,328	13,376	13,628	13,700	13,508	13,968	14,204	14,440	14,808	14,355	6
2,944	2,948	2,852	3,064	2,952	3,056	3,188	3,204	3,444	3,223	3,588	3,464	3,712	3,468	3,558	7
9,812	9,980	10,040	10,168	10,000	10,360	10,576	10,800	11,004	10,685	11,296	11,372	11,532	11,872	11,518	8
2,056	2,560	2,252	2,384	2,313	2,296	2,892	2,292	2,384	2,466	2,600	2,080	2,024	2,020	2,181	9
30,316	31,008	30,892	31,608	30,956	31,908	32,796	32,856	33,612	32,793	34,684	34,484	35,160	35,748	35,019	10
(27,668)	(28,320)	(28,128)	(28,788)	(28,226)	(29,040)	(30,032)	(29,924)	(30,532)	(29,882)	(31,452)	(31,120)	(31,708)	(32,168)	(31,612)	11

TABLE 14. Government Revenue, by Quarters, 1960-64 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1960					1961				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Direct taxes - Persons	2,340	2,380	2,348	2,372	2,360	2,412	2,512	2,548	2,572	2,511
2	Federal	1,996	2,036	2,016	2,020	2,017	2,056	2,124	2,160	2,188	2,132
3	Provincial and municipal	344	344	332	352	343	356	388	388	384	379
4	Direct taxes - Corporations	1,620	1,576	1,516	1,464	1,544	1,424	1,576	1,696	1,752	1,612
5	Federal	1,328	1,296	1,240	1,200	1,266	1,164	1,288	1,376	1,416	1,311
6	(Federal tax collections)	(1,304)	(1,412)	(1,416)	(1,324)	(1,364)	(1,272)	(1,268)	(1,240)	(1,288)	(1,267)
7	Provincial	292	280	276	264	278	260	288	320	336	301
8	(Provincial tax collections)	(292)	(304)	(328)	(284)	(302)	(276)	(280)	(284)	(296)	(284)
	Withholding taxes:										
	Federal(1)	76	76	80	84	79	120	108	120	116	116
10	Indirect taxes	4,680	4,740	4,676	4,724	4,705	4,808	4,868	4,988	5,124	4,947
11	Federal	2,184	2,220	2,144	2,172	2,180	2,168	2,168	2,204	2,220	2,190
12	Provincial and municipal(2)	2,496	2,520	2,532	2,552	2,525	2,640	2,700	2,784	2,904	2,757
13	Investment income	1,060	1,044	1,064	1,084	1,063	1,044	1,052	1,212	1,196	1,126
14	Federal	396	376	356	400	382	380	348	480	428	409
15	Provincial and municipal	664	668	708	684	681	664	704	732	768	717
16	Employer and employee contributions to social insurance and government pension funds	756	700	772	776	751	784	776	800	788	787
17	Federal	508	440	500	500	487	512	500	512	516	510
18	Provincial and municipal	248	260	272	276	264	272	276	288	272	277
	Transfers from Federal:										
19	Provincial and municipal	984	976	1,004	1,012	994	1,016	1,176	1,172	1,148	1,128
20	TOTAL REVENUE	11,516	11,492	11,460	11,516	11,496	11,608	12,068	12,536	12,696	12,227
21	FEDERAL	6,488	6,444	6,336	6,376	6,411	6,400	6,536	6,852	6,884	6,668
22	PROVINCIAL and MUNICIPAL	5,028	5,048	5,124	5,140	5,085	5,208	5,532	5,684	5,812	5,559

(1) See footnote 1, Table 5.

(2) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 14. Government Revenue, by Quarters, 1960-64 Seasonally Adjusted at Annual Rates
(millions of dollars)

1962					1963					1964					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
2,648	2,688	2,764	2,820	2,730	2,868	2,764	2,932	3,080	2,911	3,232	3,364	3,452	3,580	3,407	1
2,080	2,056	2,092	2,124	2,088	2,172	2,084	2,204	2,312	2,193	2,448	2,552	2,580	2,652	2,558	2
568	632	672	696	642	696	680	728	768	718	784	812	872	928	849	3
1,680	1,688	1,696	1,744	1,702	1,800	1,808	1,800	1,876	1,821	1,976	1,976	1,968	2,036	1,989	4
1,264	1,268	1,268	1,284	1,271	1,352	1,352	1,344	1,376	1,356	1,484	1,480	1,468	1,496	1,482	5
(1,352)	(1,292)	(1,280)	(1,252)	(1,294)	(1,300)	(1,312)	(1,344)	(1,356)	(1,328)	(1,392)	(1,844)	(1,500)	(1,684)	(1,605)	6
416	420	428	460	431	448	456	456	500	465	492	496	500	540	507	7
(328)	(312)	(388)	(408)	(359)	(420)	(432)	(480)	(456)	(447)	(424)	(524)	(488)	(508)	(486)	8
112	140	124	124	125	132	120	128	128	127	132	140	140	148	140	9
5,444	5,492	5,696	5,628	5,565	5,820	5,676	5,928	6,092	5,879	6,424	6,608	6,748	6,812	6,648	10
2,312	2,332	2,524	2,436	2,401	2,416	2,316	2,464	2,608	2,451	2,696	2,824	2,928	2,940	2,847	11
3,132	3,160	3,172	3,192	3,164	3,404	3,360	3,464	3,484	3,428	3,728	3,784	3,820	3,872	3,801	12
1,196	1,208	1,180	1,444	1,257	1,308	1,380	1,388	1,428	1,376	1,488	1,508	1,484	1,596	1,519	13
380	416	356	640	448	472	520	520	496	502	560	524	520	584	547	14
816	792	824	804	809	836	860	868	932	874	928	984	964	1,012	972	15
796	800	824	828	812	828	840	856	864	847	876	900	892	900	892	16
512	508	524	528	518	528	528	536	544	534	556	568	552	556	558	17
284	292	300	300	294	300	312	320	320	313	320	332	340	344	334	18
1,172	1,016	1,144	1,204	1,134	1,196	1,232	1,100	1,148	1,169	1,164	1,300	1,264	1,288	1,254	19
13,048	13,032	13,428	13,792	13,325	13,952	13,820	14,132	14,616	14,130	15,292	15,796	15,948	16,360	15,849	20
6,660	6,720	6,888	7,136	6,851	7,072	6,920	7,196	7,464	7,163	7,876	8,088	8,188	8,376	8,132	21
6,388	6,312	6,540	6,656	6,474	6,880	6,900	6,936	7,152	6,967	7,416	7,708	7,760	7,984	7,717	22

TABLE 15. Government Expenditure, by Quarters, 1960-64 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1960					1961				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Goods and services	6,664	6,532	6,980	6,900	6,769	6,984	7,112	7,356	7,492	7,236
2	Federal	2,732	2,604	2,796	2,788	2,730	2,852	2,920	3,068	3,088	2,982
3	(Defence)	(1,556)	(1,484)	(1,584)	(1,560)	(1,546)	(1,572)	(1,592)	(1,612)	(1,676)	(1,613)
4	Provincial and municipal	3,932	3,928	4,184	4,112	4,039	4,132	4,192	4,288	4,404	4,254
5	Transfer payments to persons (excluding interest on the public debt)	3,032	2,984	3,200	3,264	3,120	3,424	3,372	3,468	3,500	3,441
6	Federal	1,940	1,876	2,036	2,052	1,976	2,012	2,004	1,992	2,016	2,006
7	Provincial and municipal	1,092	1,108	1,164	1,212	1,144	1,412	1,368	1,476	1,484	1,435
8	Interest on the public debt	1,068	1,064	1,128	1,120	1,095	1,124	1,168	1,180	1,208	1,170
9	Federal(2)	744	736	780	752	753	764	788	768	824	786
10	Provincial and municipal	324	328	348	368	342	360	380	412	384	384
11	Subsidies	224	228	240	248	235	204	208	364	228	251
12	Federal	200	204	212	220	209	176	180	332	196	221
13	Provincial	24	24	28	28	26	28	28	32	32	30
Transfers to other levels of government											
14	Federal	984	976	1,004	1,012	994	1,016	1,176	1,172	1,148	1,128
15	Total expenditure	11,972	11,784	12,552	12,544	12,213	12,752	13,036	13,540	13,576	13,226
16	Federal	6,600	6,396	6,828	6,824	6,662	6,820	7,068	7,332	7,272	7,123
17	Provincial and municipal	5,372	5,388	5,724	5,720	5,551	5,932	5,968	6,208	6,304	6,103
18	Deficit (-) or surplus (+)	- 456	- 292	- 1,092	- 1,028	- 717	- 1,144	- 968	- 1,004	- 880	- 999
19	Federal	- 112	48	- 492	- 448	- 251	- 420	- 532	- 480	- 388	- 455
20	Provincial and municipal	- 344	- 340	- 600	- 580	- 466	- 724	- 436	- 524	- 492	- 544
21	TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	11,516	11,492	11,460	11,516	11,496	11,608	12,068	12,536	12,696	12,227
22	FEDERAL	6,488	6,444	6,336	6,376	6,411	6,400	6,536	6,852	6,884	6,668
23	PROVINCIAL AND MUNICIPAL	5,028	5,048	5,124	5,140	5,085	5,208	5,532	5,684	5,812	5,559

(1) In this quarter the federal deficit is irregularly high by about \$300 million and the provincial-municipal deficit correspondingly low as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements.

TABLE 15. Government Expenditure, by Quarters, 1960-64 Seasonally Adjusted at Annual Rates
(millions of dollars)

1962					1963					1964					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
7,488	7,860	7,716	7,776	7,710	7,980	7,884	8,112	8,120	8,024	8,564	8,524	8,544	8,796	8,607	1
3,052	3,148	2,964	2,928	3,023	2,912	2,916	3,004	2,924	2,939	3,160	2,996	3,016	2,996	3,042	2
(1,708)	(1,724)	(1,644)	(1,636)	(1,678)	(1,484)	(1,596)	(1,628)	(1,596)	(1,576)	(1,672)	(1,544)	(1,496)	(1,496)	(1,552)	3
4,436	4,712	4,752	4,848	4,687	5,068	4,968	5,108	5,196	5,085	5,404	5,528	5,528	5,800	5,565	4
3,880	3,632	3,600	3,804	3,729	3,764	3,840	3,804	3,944	3,838	4,148	4,096	4,200	4,192	4,159	5
2,320	2,032	2,044	2,052	2,112	2,196	2,092	2,080	2,180	2,137	2,256	2,216	2,236	2,232	2,235	6
1,560	1,600	1,556	1,752	1,617	1,568	1,748	1,724	1,764	1,701	1,892	1,880	1,964	1,960	1,924	7
1,256	1,280	1,332	1,340	1,302	1,380	1,412	1,428	1,460	1,420	1,500	1,520	1,528	1,580	1,532	8
836	844	892	892	866	900	936	948	956	935	984	988	992	1,016	995	9
420	436	440	448	436	480	476	480	504	485	516	532	536	564	537	10
292	268	228	400	292	248	368	288	340	311	284	268	248	468	317	11
240	236	196	368	260	212	332	252	304	275	248	228	208	428	278	12
32	32	32	32	32	36	36	36	36	36	36	40	40	40	39	13
1,172	1,016	1,144	1,204	1,134	1,196	1,232	1,100	1,148	1,169	1,164	1,300	1,264	1,288	1,254	14
14,068	14,056	14,020	14,524	14,167	14,568	14,736	14,732	15,012	14,762	15,660	15,708	15,784	16,324	15,869	15
7,620	7,276	7,240	7,444	7,395	7,416	7,508	7,384	7,512	7,455	7,812	7,728	7,716	7,960	7,804	16
6,448	6,780	6,780	7,080	6,772	7,152	7,228	7,348	7,500	7,307	7,848	7,980	8,068	8,364	8,065	17
- 1,020	- 1,024	- 592	- 732	- 842	- 616	- 916	- 600	- 396	- 632	- 368	88	164	36	- 20	18
- 960(1)	- 556	- 352	- 308	- 544	- 344	- 588	- 188	- 48	- 292	64	360	472	416	328	19
- 60(1)	- 468	- 240	- 424	- 298	- 272	- 328	- 412	- 348	- 340	- 432	- 272	- 308	- 380	- 348	20
13,048	13,032	13,428	13,792	13,325	13,952	13,820	14,132	14,616	14,130	15,292	15,796	15,948	16,360	15,849	21
6,660	6,720	6,888	7,136	6,851	7,072	6,920	7,196	7,464	7,163	7,876	8,088	8,188	8,376	8,132	22
6,388	6,312	6,540	6,656	6,474	6,880	6,900	6,936	7,152	6,967	7,416	7,708	7,760	7,984	7,717	23

(2) See footnote 2, Table 6.

TABLE 16. Source of National Saving, by Quarters, 1960-64 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1960					1961				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal net saving	1,596	1,372	1,660	1,512	1,535	1,492	1,248	1,724	1,716	1,545
2	Business gross saving	5,580	5,228	5,244	5,024	5,269	4,912	5,448	5,424	5,524	5,327
3	Undistributed corporation profits	1,064	776	800	708	837	424	832	864	908	757
4	Capital consumption allowances and miscellaneous valuation adjustments	4,492	4,440	4,436	4,324	4,423	4,448	4,488	4,556	4,668	4,540
5	Adjustment on grain transactions(1) ..	24	12	8	- 8	9	40	128	4	- 52	30
6	Inventory valuation adjustment	- 148	- 184	60	- 8	- 70	- 40	- 44	- 164	- 108	- 89
7	Government surplus (+) or deficit (-) ..	- 456	- 292	- 1,092	- 1,028	- 717	- 1,144	- 968	- 1,004	- 880	- 999
8	Residual error of estimate	156	- 292	- 152	132	- 39	104	92	- 220	- 36	- 15
9	Totals	6,728	5,832	5,720	5,632	5,978	5,324	5,776	5,760	6,216	5,769

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 17. Disposition of National Saving, by Quarters, 1960-64 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1960					1961				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Business gross fixed capital formation	6,988	6,624	6,552	6,604	6,692	6,456	6,544	6,768	6,772	6,635
2	New residential construction	1,592	1,400	1,396	1,384	1,443	1,404	1,468	1,500	1,460	1,458
3	New non-residential construction	2,640	2,544	2,572	2,552	2,577	2,532	2,660	2,780	2,760	2,683
4	New machinery and equipment	2,756	2,680	2,584	2,668	2,672	2,520	2,416	2,488	2,552	2,494
5	Value of physical change in inventories	976	348	- 56	372	410	- 20	184	- 452	408	30
6	Surplus (+) or deficit (-) on current account with non-residents	-1,080	- 1,432	- 928	- 1,216	- 1,164	-1,008	- 856	- 776	- 1,004	- 911
7	Residual error of estimate	- 156	292	152	- 128	40	- 104	- 96	220	40	15
8	Totals	6,728	5,832	5,720	5,632	5,978	5,324	5,776	5,760	6,216	5,769

TABLE 16. Source of National Saving, by Quarters, 1960-64 Seasonally Adjusted at Annual Rates
(millions of dollars)

1962					1963					1964					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
2,056	2,560	2,252	2,384	2,313	2,296	2,892	2,292	2,384	2,466	2,600	2,080	2,024	2,020	2,181	1
5,960	5,384	5,972	5,976	5,823	6,172	5,984	6,288	6,688	6,283	6,360	7,260	6,968	7,288	6,969	2
932	828	900	952	903	920	996	952	1,024	973	1,304	1,276	1,048	1,380	1,252	3
4,780	4,916	4,944	5,016	4,914	4,996	5,140	5,160	5,392	5,172	5,512	5,580	5,596	5,740	5,607	4
248	- 360	128	8	6	256	- 152	176	272	138	- 456	404	324	168	110	5
- 136	- 144	- 176	4	- 113	- 136	- 312	- 144	- 188	- 195	- 140	- 292	88	- 140	- 121	6
- 1,020	- 1,024	- 592	- 732	- 842	- 616	- 916	- 600	- 396	- 632	- 368	88	164	36	- 20	7
- 164	- 300	- 220	- 288	- 243	- 280	- 112	- 192	- 144	- 182	52	- 16	- 80	- 132	- 44	8
6,696	6,476	7,236	7,344	6,938	7,436	7,536	7,644	8,344	7,740	8,504	9,120	9,164	9,072	8,965	9

TABLE 17. Disposition of National Saving, by Quarters, 1960-64 Seasonally Adjusted at Annual Rates
(millions of dollars)

1962					1963					1964					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
6,856	6,896	7,008	7,080	6,960	7,112	7,512	7,704	8,036	7,591	8,944	8,828	8,720	9,380	8,968	1
1,540	1,580	1,604	1,584	1,577	1,596	1,668	1,732	1,832	1,707	2,176	1,908	1,872	2,128	2,021	2
2,716	2,636	2,588	2,612	2,638	2,640	2,864	2,880	2,956	2,835	3,164	3,244	3,376	3,588	3,343	3
2,600	2,680	2,816	2,884	2,745	2,876	2,980	3,092	3,248	3,049	3,604	3,676	3,472	3,664	3,604	4
576	356	928	368	557	568	296	528	572	491	452	448	388	232	380	5
- 900	- 1,080	- 916	- 396	- 823	- 524	- 388	- 780	- 404	- 524	- 844	- 168	- 28	- 672	- 428	6
164	304	216	292	244	280	116	192	140	182	- 48	12	84	132	45	7
6,696	6,476	7,236	7,344	6,938	7,436	7,536	7,644	8,344	7,740	8,504	9,120	9,164	9,072	8,965	8

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1960-64(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1960					1961				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal expenditure on consumer goods and services	22,120	22,324	22,436	22,728	22,402	22,516	22,988	23,412	23,504	23,105
2	Non-durable goods	11,332	11,420	11,508	11,580	11,460	11,436	11,748	11,792	11,916	11,723
3	Durable goods	2,560	2,568	2,536	2,664	2,582	2,496	2,600	2,884	2,764	2,686
4	Services	8,228	8,336	8,392	8,484	8,360	8,584	8,640	8,736	8,824	8,696
5	Government expenditure on goods and services	6,224	6,052	6,456	6,340	6,268	6,400	6,468	6,636	6,744	6,562
6	Business gross fixed capital formation .	6,544	6,168	6,088	6,124	6,231	5,964	6,052	6,252	6,232	6,125
7	New residential construction	1,472	1,284	1,276	1,260	1,323	1,280	1,340	1,364	1,328	1,328
8	New non-residential construction	2,468	2,380	2,392	2,376	2,404	2,348	2,472	2,596	2,560	2,494
9	New machinery and equipment	2,604	2,504	2,420	2,488	2,504	2,336	2,240	2,292	2,344	2,303
10	Change in inventories	936	348	- 56	360	397	- 72	156	- 448	480	29
11	Non-farm business inventories	904	292	- 128	232	325	304	540	- 12	900	433
12	Farm inventories and grain in commercial channels	32	56	72	128	72	- 376	- 384	- 436	- 420	- 404
13	Exports of goods and services	7,180	6,624	6,960	6,772	6,884	7,156	7,176	7,600	7,584	7,379
14	Deduct: Imports of goods and services ..	- 8,276	- 8,044	- 7,844	- 7,916	- 8,020	- 8,028	- 7,920	- 8,204	- 8,376	- 8,132
15	Residual error of estimate	- 148	276	144	- 120	38	- 96	- 88	200	36	13
16	GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	34,580	33,748	34,184	34,288	34,200	33,840	34,832	35,448	36,204	35,081

(1) See footnote 1, Table 9.

TABLE 19. Implicit Price Indexes - Seasonally Adjusted
Gross National Expenditure, (1) 1960-64
(1957 = 100)

No.		1960					1961				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal expenditure on consumer goods and services	104.6	105.1	105.1	105.6	105.1	105.8	105.9	105.7	106.2	105.9
2	Non-durable goods	102.5	103.1	103.0	103.7	103.1	103.8	103.9	103.8	104.0	103.9
3	Durable goods	104.1	103.6	102.8	102.3	103.2	102.4	101.5	99.9	100.7	101.1
4	Services	107.6	108.3	108.7	109.1	108.4	109.5	109.7	110.3	110.8	110.1
5	Government expenditure on goods and services	107.1	107.9	108.1	108.8	108.0	109.1	110.0	110.8	111.1	110.3
6	Business gross fixed capital formation .	106.8	107.4	107.6	107.8	107.4	108.2	108.1	108.3	108.7	108.3
7	New residential construction	108.2	109.0	109.4	109.8	109.1	109.7	109.6	110.0	109.9	109.8
8	New non-residential construction	107.0	106.9	107.5	107.4	107.2	107.8	107.6	107.1	107.8	107.6
9	New machinery and equipment	105.8	107.0	106.8	107.2	106.7	107.9	107.9	108.6	108.9	108.3
10	Exports of goods and services	101.3	102.1	102.0	101.9	101.8	102.1	102.1	104.2	105.1	103.4
11	Imports of goods and services	101.0	101.8	102.3	102.5	101.9	103.6	103.3	105.9	107.2	105.0
12	GROSS NATIONAL EXPENDITURE	105.6	106.1	106.1	106.5	106.1	106.8	106.9	106.8	106.8	106.8

(1) These implicit indexes are currently weighted price indexes. They reflect not only pure price changes, but also changing expenditure patterns within and between major groups. Quarter to quarter comparisons based on the seasonally adjusted data are less subject to the problem of shifting weights than are similar comparisons based on data unadjusted for seasonality, and therefore may be used as indicators of price change.

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1960-64(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

1962					1963					1964					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
24,016	24,048	24,088	24,476	24,157	24,712	24,984	25,312	25,732	25,185	26,252	26,316	26,812	27,156	26,634	1
12,312	12,224	12,340	12,424	12,325	12,548	12,552	12,696	12,712	12,627	12,900	13,072	13,228	13,572	13,193	2
2,900	2,932	2,832	3,040	2,926	3,016	3,152	3,160	3,408	3,184	3,564	3,444	3,716	3,480	3,551	3
8,804	8,892	8,916	9,012	8,906	9,148	9,280	9,456	9,612	9,374	9,788	9,800	9,868	10,104	9,890	4
6,676	6,960	6,768	6,776	6,795	6,848	6,704	6,852	6,784	6,797	7,140	7,076	6,996	7,184	7,099	5
6,232	6,216	6,292	6,320	6,265	6,308	6,624	6,728	6,968	6,657	7,684	7,476	7,360	7,848	7,592	6
1,380	1,404	1,416	1,388	1,397	1,392	1,440	1,480	1,532	1,461	1,796	1,552	1,504	1,692	1,636	7
2,488	2,396	2,356	2,356	2,399	2,360	2,552	2,544	2,592	2,512	2,764	2,808	2,904	3,048	2,881	8
2,364	2,416	2,520	2,576	2,469	2,556	2,632	2,704	2,844	2,684	3,124	3,116	2,952	3,108	3,075	9
564	352	868	312	524	536	268	508	532	461	444	424	336	208	353	10
360	264	600	12	309	168	- 116	248	460	190	568	596	744	32	485	11
204	88	268	300	215	368	384	260	72	271	- 124	- 172	- 408	176	- 132	12
7,580	7,732	7,800	7,892	7,751	8,028	8,344	8,360	8,940	8,418	9,128	9,648	9,672	9,404	9,463	13
- 8,236	- 8,512	- 8,452	- 8,024	- 8,306	- 8,220	- 8,376	- 8,632	- 8,924	- 8,538	- 9,472	- 9,364	- 9,436	- 9,740	- 9,503	14
152	280	200	268	225	256	104	172	128	165	- 44	12	76	116	40	15
36,984	37,076	37,564	38,020	37,411	38,468	38,652	39,300	40,160	39,145	41,132	41,588	41,816	42,176	41,678	16

TABLE 19. Implicit Price Indexes - Seasonally Adjusted
Gross National Expenditure, (1) 1960-64
(1957 = 100)

1962					1963					1964					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
106.7	107.1	107.4	107.9	107.3	108.2	108.6	109.2	109.4	108.9	109.9	110.4	110.7	111.0	110.5	1
104.4	105.0	105.2	106.0	105.2	106.2	106.6	107.3	107.8	107.0	108.3	108.7	109.2	109.1	108.8	2
100.8	100.7	100.9	100.9	100.8	101.3	101.1	101.5	100.9	101.2	100.7	100.5	99.8	99.6	100.1	3
111.4	112.2	112.6	112.8	112.3	113.2	114.0	114.2	114.5	114.0	115.4	116.0	116.9	117.5	116.5	4
112.2	112.9	114.0	114.8	113.5	116.5	117.6	118.4	119.7	118.1	119.9	120.5	122.1	122.4	121.2	5
110.0	110.9	111.4	112.0	111.1	112.7	113.4	114.5	115.3	114.0	116.4	118.1	118.5	119.5	118.1	6
111.6	112.5	113.3	114.1	112.9	114.7	115.8	117.0	119.6	116.8	121.2	122.9	124.5	125.8	123.5	7
109.2	110.0	109.8	110.9	110.0	111.9	112.2	113.2	114.0	112.9	114.5	115.5	116.3	117.7	116.0	8
110.0	110.9	111.7	112.0	111.2	112.5	113.2	114.3	114.3	113.6	115.4	118.0	117.6	117.9	117.2	9
105.7	106.5	107.1	106.9	106.6	107.3	107.4	107.7	108.9	107.8	109.5	109.9	111.2	110.6	110.3	10
108.2	109.4	109.7	110.1	109.3	111.1	111.6	113.3	113.6	112.5	114.4	115.0	114.3	113.7	114.4	11
107.6	108.1	108.7	109.2	108.4	109.6	110.1	110.4	111.1	110.3	111.6	112.3	113.3	113.8	112.8	12

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TABLE 20. Business Gross Fixed Capital Formation, by Industry, 1960-64(1)
(millions of dollars)

	1960	1961	1962	1963	1964
1. Agriculture	550	576	663	762	820
2. Fishing and trapping					
3. Forestry					
4. Mining, quarrying, and oil wells	400	449	480	521	633
5. Manufacturing	1,178	1,085	1,269	1,358	1,815
6. Construction	130	136	109	135	151
7. Transportation	704	645	490	566	764
8. Storage					
9. Communication(2)					
10. Electric power, gas and water utilities ...	688	710	723	766	886
11. Trade	381	307	319	338	351
12. Finance, insurance and real estate(3)	1,722	1,770	1,875	1,980	2,349
13. Services(4)	508	570	596	673	711
14. Totals	6,692	6,635	6,960	7,591	8,968

- (1) This table is derived from "Private and Public Investment in Canada", publications. Additional detail has been provided by the DBS Business Finance Division, and adjustments have been made to bring the data into line with National Accounting concepts. See reconciliation statement, Table 21. For an industrial distribution of total private and public investment, see Table 1 in the aforementioned publications.
- (2) Excludes investment expenditures by the Canadian Broadcasting Corporation, which are included in "Government Expenditure on Goods and Services".
- (3) Includes all new residential construction, (exclusive of government other than government business enterprise). See Table 2.
- (4) Excludes government departmental expenditures, federal hospital, provincial hospital and school, and municipal school expenditures, which are included with "Government Expenditure on Goods and Services". Investment expenditure of government business enterprises (railway, power commissions, etc.), are included under appropriate industry headings.

TABLE 21. Business Gross Fixed Capital Formation, 1960-64
Reconciliation Statement
(millions of dollars)

	1960	1961	1962	1963	1964
1. Total private and public investment in Canada(1)	8,262	8,172	8,715	9,393	10,827
2. Deduct - New residential construction by governments(2)	- 13	- 9	- 10	- 6	- 7
3. New non-residential construction by governments	- 1,420	- 1,368	- 1,562	- 1,609	- 1,640
4. New machinery and equipment outlays by governments	- 137	- 160	- 183	- 187	- 212
5. Business gross fixed capital formation	6,692	6,635	6,960	7,591	8,968

- (1) As presented in the publications "Private and Public Investment in Canada".
(2) Excludes residential construction under Veterans' Land Act, construction of veterans' rental housing by Central Mortgage and Housing Corporation, and joint federal-provincial housing (Section 36, National Housing Act) which are included under line 5.

TABLE 22. Exports and Imports of Goods and Services, 1960-64(1)
Reconciliation Statement
(millions of dollars)

	1960	1961	1962	1963	1964
<u>Exports of goods and services:</u>					
1. Merchandise exports	5,392	5,889	6,380	7,082	8,238
2. Gold production available for export	162	162	155	154	144
3. Interest and dividends received from non-residents	173	209	202	223	287
4. Other receipts for services	1,383	1,474	1,646	1,767	1,937
5. Sub-total - "Current receipts" as per Canadian Balance of International Payments	7,110	7,734	8,383	9,226	10,606
6. Inheritances and immigrants' funds	- 102	- 103	- 124	- 149	- 166
7. Total "exports of goods and services" as per National Accounts(2)	7,008	7,631	8,259	9,077	10,440
<u>Imports of goods and services:</u>					
8. Merchandise imports	5,540	5,716	6,203	6,579	7,538
9. Interest and dividends paid to non-residents .	653	770	794	869	960
10. Other payments for services	2,160	2,230	2,260	2,335	2,561
11. Sub-total - "Current payments" as per Canadian Balance of International Payments	8,353	8,716	9,257	9,783	11,059
12. Inheritances and emigrants' funds	- 181	- 174	- 175	- 182	- 191
13. Total "imports of goods and services" as per National Accounts(2)	8,172	8,542	9,082	9,601	10,868

- (1) Data sources are the reports "Canadian Balance of International Payments" (Balance of Payments Section, Dominion Bureau of Statistics), and other information received from the Balance of Payments Section. Figures exclude mutual aid to N.A.T.O. countries.
(2) See also Table 2.

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INCOME AND EXPENDITURE
(FIRST QUARTER 1965)

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In order to obtain a complete historical record of the quarterly National Accounts, the following publications should be consulted:

"National Accounts, Income and Expenditure, by Quarters, 1947-61", for the years 1947-58.

"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1963," for the year 1959.

"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1964," for the years 1960-63.

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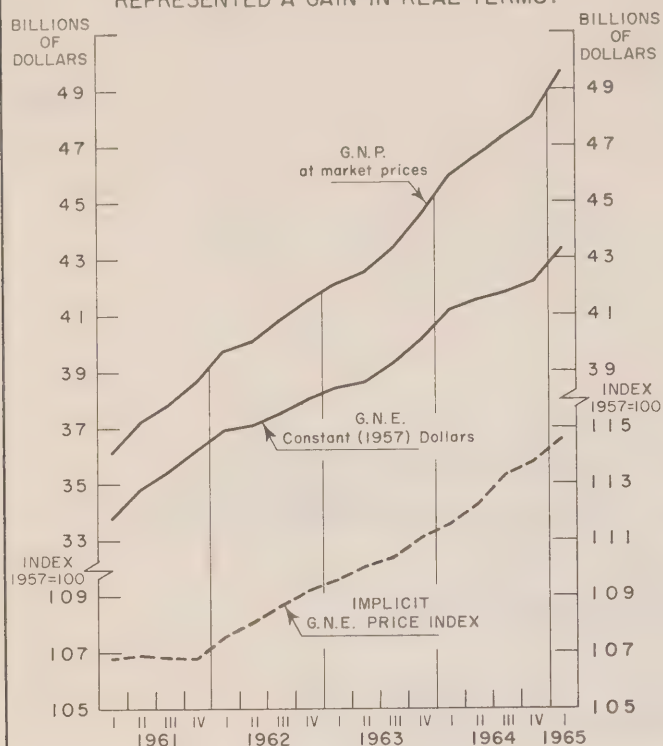
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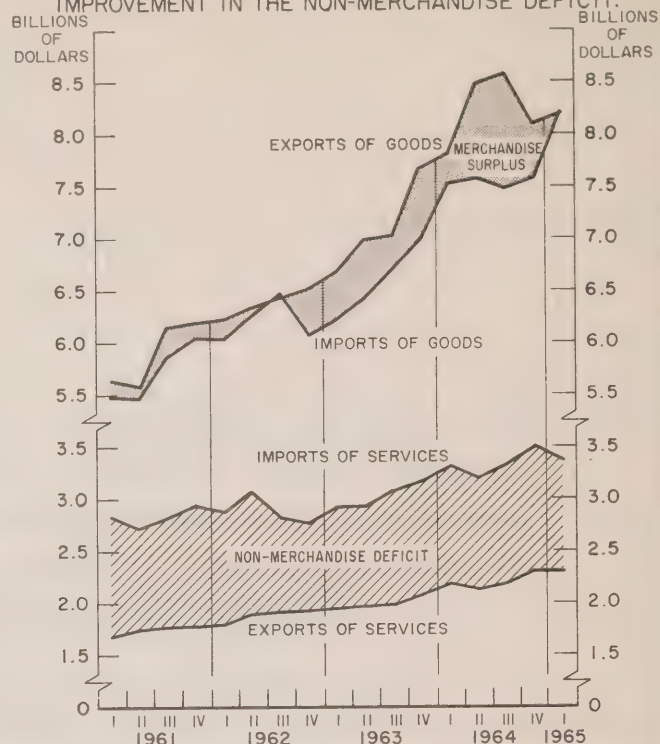
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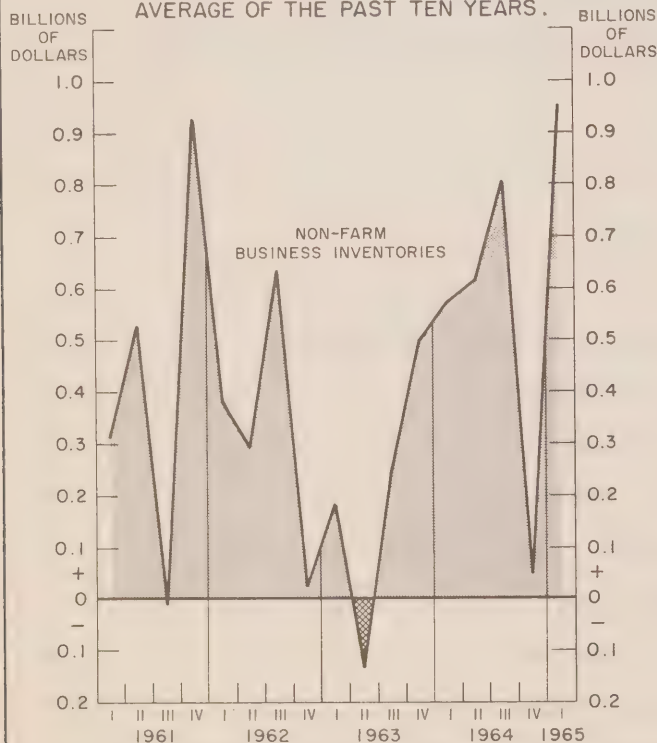
GROSS NATIONAL PRODUCT ROSE BY 3½ PER CENT. MOST OF THIS INCREASE REPRESENTED A GAIN IN REAL TERMS.



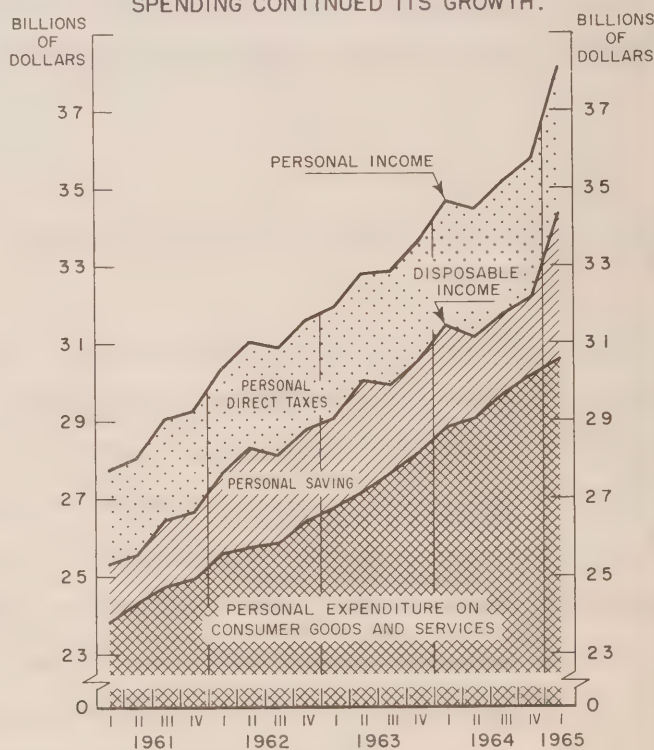
THE DEFICIT ON CURRENT ACCOUNT ROSE APPRECIABLY. A SHARP RISE IN MERCHANDISE IMPORTS MORE THAN OFFSET THE SLIGHT IMPROVEMENT IN THE NON-MERCHANDISE DEFICIT.



BUSINESS INVENTORIES MADE THE LARGEST CONTRIBUTION TO THE RISE IN ECONOMIC ACTIVITY. HOWEVER, THEIR RELATION TO G.N.P. WAS MUCH LOWER THAN THE QUARTERLY AVERAGE OF THE PAST TEN YEARS.



THE UNUSUALLY LARGE INCREASE IN PERSONAL INCOME RESULTED IN A SHARP RISE IN PERSONAL SAVING AS CONSUMER SPENDING CONTINUED ITS GROWTH.



ALL DATA IN THE ABOVE CHARTS ARE SEASONALLY ADJUSTED AT ANNUAL RATES.

INTRODUCTORY REVIEW

Gross National Product in the first quarter of 1965 rose to a seasonally adjusted annual rate of \$49.7 billion, 3-1/2 per cent above the level of the preceding period. Prices were 0.7 per cent higher but the major part of this increase represents a gain in real terms. Gross National Product excluding accrued net farm income rose in line with Gross National Product as a whole^{1/}.

The current expansion, which has now been in progress for sixteen quarters, continued. The forward impetus in the first quarter came from a fairly broadly based increment to final domestic demand strongly reinforced by a substantial building up of stocks. As in the fourth quarter the deficit on current international account rose sharply. In the first quarter, this development is attributable to the rise in imports.

Of the components, accumulation of business inventories made the largest contribution to the rise in economic activity, accounting for \$0.9 billion of the \$1.7 billion increase in Gross National Product. The magnitude of this build-up is in part attributable to the sequence of events in the automotive industry. Strikes, first in the United States and then in Canada, had interrupted production in the fourth quarter of 1964 and into the first quarter of 1965 with the result that stocks of new cars became depleted and were built up when the industry reached record levels of production late in the course of the first quarter of 1965. A considerable build-up also occurred in the non-durable manufacturing industries.

A further expansion in investment in plant and equipment is evidence of the underlying strength of demand and the confidence engendered by it. The increase in outlays for capital goods by the business sector accounted for about one third of the advance in Gross National Product.

Consumer spending continued to rise but not nearly so much as income available for spending. The strength in the market for cars no doubt reflects in part the backlog of demand that had been built up in the preceding period. Further support to the economy came from higher government expenditure for goods and services and somewhat larger outlays for housing.

As in past periods of strong demand and heavy capital investment, imports rose sharply and in spite of some increase in exports the surplus on merchandise account disappeared. The deficit on service account narrowed appreciably but the over-all deficit was the largest in some years.

There were some interesting developments on the income side in the first quarter. Labour income recorded one of the largest quarterly gains in many years. Corporate profits were a little above their unusually high fourth quarter level. Personal income rose much more sharply than National Income. This disparity is mainly a consequence of the extraordinarily large payments made to farmers by the Canadian Wheat Board. This bulge in income was undoubtedly an important element in the pronounced rise in the rate of personal saving.

^{1/}The estimated value of the crop is based on acreage intentions and ten-year average yields. On these assumptions the 1965 crop would be much the same as in 1964. Seasonally adjusted quarterly data are obtained by dividing the annual crop estimated by four.

Quarter to Quarter Changes in Final Purchases
(Seasonally Adjusted at Annual Rates)
(millions of dollars)

	3Q'61 to 4Q'61	4Q'61 to 1Q'62	1Q'62 to 2Q'62	2Q'62 to 3Q'62	3Q'62 to 4Q'62	4Q'62 to 1Q'63	1Q'63 to 2Q'63	2Q'63 to 3Q'63	3Q'63 to 4Q'63	4Q'63 to 1Q'64	1Q'64 to 2Q'64	2Q'64 to 3Q'64	3Q'64 to 4Q'64	4Q'64 to 1Q'65
1. Personal expenditure	200	660	148	116	528	340	396	492	516	704	188	644	464	440
2. Government expenditure	136	- 4	372	- 144	60	204	- 96	228	8	444	- 40	20	252	264
3. Residential construction	- 40	80	40	24	- 20	12	72	64	100	344	- 268	- 36	256	76
4. Non-residential construction ...	- 20	- 44	- 80	- 48	24	28	224	16	76	208	80	132	212	340
5. Machinery and equipment	64	48	80	136	68	- 8	104	112	156	356	72	- 204	192	232
6. Exports of goods and services ..	56	40	224	116	84	176	348	40	736	260	608	152	- 352	108
7. Total final purchases	396	780	784	200	744	752	1,048	952	1,592	2,316	640	708	1,024	1,460
8. (Final domestic demand)	340	740	560	84	660	576	700	912	856	2,056	32	556	1,376	1,352

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in non-farm business inventories	932	- 540	- 88	340	- 612	160	- 316	380	252	72	44	188	- 756	904
10. Imports of goods and services ..	284	- 64	404	- 48	- 436	304	212	432	360	700	- 68	12	292	496
11. G.N.P. (ex. farm)	1,000	512	404	628	648	476	412	872	1,080	1,744	456	956	652	1,700

Constant (1957) Dollars

Quarter to Quarter Percentage Changes in Selected Items

12. Final domestic demand	0.5	1.2	0.8	- 0.2	1.1	0.8	1.2	1.5	1.5	4.0	- 0.5	0.7	2.5	2.0
13. Total final purchases	0.4	1.0	1.0	-	1.1	1.0	1.7	1.3	2.5	3.7	0.6	0.6	1.5	1.9
14. Gross national expenditure	2.1	2.2	0.2	1.3	1.2	1.2	0.5	1.7	2.2	2.4	1.1	0.5	0.9	2.7

Prices

With prices increasing by over half of one per cent, most of the 3-1/2 per cent increase in GNP from the fourth quarter 1964 represented a gain in real terms. The increase of 0.7 per cent in the price component of Gross National Product in the first quarter of 1965 compares with an increase of 0.4 per cent in the preceding quarter.

The price component of personal expenditure advanced by 0.4 per cent, with most of the increase attributable to services; prices were higher in all of the service components with the important exception of rents. Food prices, adjusted for seasonality, increased by 0.5 per cent. Women's and children's clothing declined by half of one per cent; at the total level non-durable goods prices advanced only fractionally. Prices of durable goods went up by 0.3 per cent.

The price index of gross fixed capital formation advanced by close to 2 per cent largely as a result of the last stage of the progressive implementation of the federal sales tax on production machinery and building materials. The largest increase took place in machinery and equipment (2.5 per cent) followed by a 1.8 per cent increase in new non-residential construction prices and a 1.4 per cent in new residential construction prices. Export prices decreased by 0.4 per cent largely a result of the drop in grain prices while preliminary indications revealed little import price change.

The Demand Components

Consumer expenditure on goods and services in the first quarter of 1965, advanced 1.5 per cent, virtually the same rate as in the previous quarter, reaching a level of \$30.6 billion seasonally adjusted at annual rates. Of the increase of \$440 million, services accounted for \$252 million or roughly 57 per cent.

Within goods, all the gain took place among durables, paced by a 1.2 per cent rise in net purchases of new and used cars. Sales of new cars recovered from the sharp decline of the preceding quarter, associated with strikes in the industry, and increased more than 20 per cent. As a consequence, "trade-ins" of used cars rose sharply and net purchases of used cars declined.

Outlays on appliances and radios rose 3-1/2 per cent after two successive quarterly declines, while purchases of jewellery and watches dropped 2 per cent following gains in the second half of 1964.

Spending on non-durable goods was virtually unchanged from the very high fourth quarter level as gains and losses among the non-durable components were offsetting. For the first time in several years purchases of food failed to register an increase and actually declined by about 1 per cent. Purchases of fuel (including electricity and gas) also declined more than 3 per cent and expenditure on clothing and footwear showed no gain over the previous quarter. On the other hand, increases were recorded for tobacco, household supplies and auto parts and accessories where expenditures rose approximately 3, 4 and 5 per cent respectively; purchases of alcoholic beverages also increased.

Spending on services advanced somewhat more than 2 per cent and made a relatively large contribution to the growth in consumer expenditure. With the exception of user-operated transportation, all components shared in the growing demand for services; spending on personal services, personal care and medical care were up about 3, 2 and 2-1/2 per cent respectively.

Business spending on replacement and expansion of capital stock increased in the first quarter to a rate nearly in line with the intentions of business for the year 1965 as a whole, as reported in March in "Private and Public Investment in Canada Outlook 1965". The level of \$10.0 billion at seasonally adjusted annual rates represented an increase of 7 per cent over the previous quarter.

The estimate of \$2.2 billion of new residential construction put in place is 3-1/2 per cent higher than the previous quarter. After allowing for seasonal influences, Central Mortgage and Housing Corporation estimated that starts fell back from 182.5 to 158.0 thousand at annual rates, while completions advanced from 151.4 to 165.1 thousands. The early date for the beginning of the 1964-65 winter housebuilding incentive programme together with, perhaps, some accelerated activity in multiple dwelling construction in anticipation of the imposition of the last stage of the sales tax on building materials were in all likelihood partially responsible for the high fourth quarter starts. A higher carryover of housing from 1964 and higher prices account for the increase in value.

The value of new non-residential construction totalled \$3.9 billion in the first quarter, up 9-1/2 per cent from the fourth. Strong employment increases reported in both building and engineering construction, together with some increases in both labour and material input prices, raised the estimated value of work put in place.

Outlays on new machinery and equipment moved ahead by 6 per cent to a level of \$3.9 billion in the first quarter. Preliminary estimates suggest the increase in demand compared with the same quarter one year earlier was met in part by domestic suppliers, and by a marked increase in the value of imports. Lack of component detail for first quarter imports imparts a degree of uncertainty to this estimate.

Business inventory accumulation surged forward in the first quarter of 1965. Seasonally adjusted, the level of stocks rose by \$952 million at annual rates, representing a gain of \$904 million from the previous quarter's accumulation of only \$48 million. This was the heaviest build-up since the beginning of the current economic expansion and contributed substantially to the higher level of economic activity.

Investment in manufacturers' stocks contributed the largest share of the total accumulation of business holdings. The major part of the rest of business inventory accumulation was concentrated in the hands of retail traders. Investment at the wholesale level showed a moderate accumulation.

In manufacturing, durable goods-producing industries showed an accumulation due to an increase in the stocks of the primary metal, metal fabricating, machinery, electrical, non-metallic and transportation industries. At the non-durable level liquidation shifted to a build-up particularly of stocks of the food, tobacco, textile, petroleum and chemical industries. By stage of fabrication, accumulation took place at all levels of production. For manufacturing as a whole, the stock-to-sales ratio was higher than in the previous quarter.

The change in stocks at retail was dominated by the automotive trade. Stocks had been drawn down during the strike-affected fourth quarter and there was a substantial build-up when production was resumed in the first quarter of this year. Among other durables, changes resulted in a liquidation. A modest accumulation of stocks was general among the non-durable trades. For retail trade as a whole the stock-to-sales ratio was virtually unchanged from the previous quarter.

At the wholesale level, the mixed movement in both durables and non-durables showed, on balance, only a small build-up of inventories. For the wholesale industry, the stock-to-sales ratio declined when compared with the previous quarter.

Change in Non-Farm Business Inventories
(Seasonally Adjusted, at Annual Rates)

	4th Q. 1964 (millions of dollars)	1st Q. 1965
Manufacturing	72	556
Durables	112	288
Non-durables	-40	268
Wholesale	44	84
Retail	-40	176
"Other" Industries	-28	136
Total	48	952

The deficit in Canada's external account on a national accounts basis climbed from \$672 million in the fourth to \$1,060 million seasonally adjusted at annual rates in the first quarter, the largest deficit for some years. The change of \$388 million resulted from a turnabout from a surplus of \$520 million to a virtual balance in merchandise trade due to a more rapid growth in imports than exports. This was partly offset by a reduction of \$136 million in the deficit on non-merchandise trade.

Exports and Imports of Goods and Services^{1/}
(Seasonally Adjusted, at Annual Rates)

	Exports	Goods Imports	Net	Exports	Services Imports	Net	Current Balance
	(millions of dollars)						
1963 - 4th Quarter	7,664	6,980	684	2,072	3,160	-1,088	-404
1964 - 1st Quarter	7,804	7,528	276	2,192	3,312	-1,120	-844
2nd Quarter	8,480	7,572	908	2,124	3,200	-1,076	-168
3rd Quarter	8,572	7,476	1,096	2,184	3,308	-1,124	-28
4th Quarter	8,096	7,576	520	2,308	3,500	-1,192	-672
1965 - 1st Quarter	8,204	8,208	-4	2,308	3,364	-1,056	-1,060
4Q64 to 1Q65 % change	1.3	8.3		0.0	-3.9		

In relation to the fourth quarter export gains were made in nickel, non-farm machinery, wheat, aluminum, asbestos and fertilizers, while reductions appeared in exports of natural gas, fish, copper, newsprint and woodpulp. Commodity detail is not available to identify components of the large increase in imports.

Smaller deficits in the interest and dividends, travel and miscellaneous accounts more than offset a larger deficit in the freight and shipping account.

Export gains for the last quarter over the previous quarter were made in United States and some overseas markets, offsetting losses in the United Kingdom. United States suppliers accounted for over two-thirds of the increase in imports.

The Government Sector

At seasonally adjusted annual rates the surplus on a National Accounts basis of all governments combined remained virtually unchanged in the first quarter. The continuing surplus in the government accounts reflects the buoyancy of revenue in a period of economic expansion. The reduced Federal government surplus was almost counter-balanced by a much lower provincial-municipal deficit. These developments between levels of government are in part a consequence of changes under the terms of the Federal Provincial Fiscal Arrangements Act by which the abatement in favour of the provinces of personal income tax was increased from 18 per cent to 21 per cent and of estate taxes from 50 per cent to 75 per cent.

Combined government revenues in the first quarter were higher by about 4 per cent. At both the Federal and the provincial-municipal levels most sources of government income yielded higher revenue. Combined revenue from personal direct taxes was up 5 per cent. Revenue from indirect taxes was up 4 per cent, which reflects in part the higher federal sales tax on building materials.

^{1/}In the quarter, adjustments to Trade of Canada published statistics for balance of payments and national accounts purposes raised imports on account of progress payments made for military equipment being purchased abroad, and lowered exports to reflect more precisely the timing of wheat shipments and payments on foreign purchases of military aircraft.

Total government expenditures combined increased by just over 4 per cent, offsetting the increase in revenues. Expenditure on goods and services by all governments rose by 3 per cent, the largest increase being at the Federal level mainly for purposes of defence. Government transfers to persons rose substantially in the first quarter, in part the result of larger provincial grants to hospitals. Subsidy payments declined sharply from the irregularly high level of the preceding quarter, when there were large interim payments to the railway companies.

Income Flows

Wages, salaries and supplementary labour income advanced 3.5 per cent in the first quarter, at seasonally adjusted annual rates; wages and salaries alone showed a slightly larger gain. The greater part of the rise in labour income reflects an expansion in employment but further increases in average earnings continued to contribute to the total; incomplete evidence suggests little change in hours worked.

The increase of about 4-1/2 per cent in wages and salaries in the goods-producing industries was one of the largest quarterly gains in many years. In part this advance reflects the resumption of full production in the automotive industry following the settlement of the strikes in the industry. However, even without this special factor, the increase would have been over 4 per cent. Wages and salaries in construction rose 9-1/2 per cent in the first quarter, continuing the rapid increase recorded in the preceding quarter. Wages and salaries in manufacturing were up 3-1/2 per cent.

Wages and salaries in the service-producing industries advanced more than 2-1/2 per cent in the period, with most of the industries recording much the same rate of gain. However, finance and service showed a better than average increase of 3 per cent and government a lower rate of 2 per cent.

Corporation profits (before taxes and before dividends paid to non-residents) increased in the first quarter by about 1 per cent. At seasonally adjusted annual rates, profits rose to \$4.9 billion, some \$60 million over the fourth quarter level.

There were offsetting movements among most major industry groups. Sizeable increases were recorded in printing, metal industries (including transportation equipment), and services, while profits of mining, quarrying and oil wells, wood, chemicals, and transportation, storage and communication declined significantly.

Rent, interest and miscellaneous investment income of \$3,380 million in the first quarter of 1965, seasonally adjusted at annual rates, was almost unchanged from the record high of \$3,388 million in the fourth quarter of 1964.

Net income of non-farm unincorporated business increased 1.5 per cent, seasonally adjusted at annual rates, in the first quarter of 1965; the changes in the individual industries were small and partially offsetting.

Accrued net income of farm operators declined 3 per cent, seasonally adjusted at annual rates, in the first quarter. The estimated value of the 1965 crop, which is based on acreage intentions, ten year average yields and average prices is much the same as the 1964 value. Net income received by farm operators increased substantially to a level of \$2.2 billion, close to the record set in the second quarter of 1951. This very sharp increase was due to record payments made by the Canadian Wheat Board.

Production by Industry

Seasonally adjusted real domestic product less agriculture for the first quarter of 1965 was 2 per cent higher than in the preceding quarter, and 27 per cent above its first quarter, 1961, cyclical trough.

Manufacturing, trade and construction were the largest contributors to the first quarter gain in non-agricultural output, with manufacturing accounting for about one third of the total advance.

The 2 per cent gain in manufacturing output resulted from a 5 per cent increase in the durables component, as the non-durables group declined fractionally. A 23 per cent advance in transportation equipment was the largest contributor to the increase in durables, which can be traced to the attainment of a new high level in motor vehicle and parts production, following the strike-affected fourth quarter. The next largest contributions to the gain in durables came from electrical apparatus and supplies (4 per cent) and non-metallic mineral products (5 per cent); wood products showed a 1 per cent decline.

Within trade, which advanced by 3 per cent, the wholesale trade component showed the larger increase (7 per cent), while retail trade was up by about 1 per cent. As in manufacturing, motor vehicle sales were the largest contributors to the increase in trade, while declines occurred in the sales of building material dealers.

Among the remaining industry groups, increases of about 2 and 3 per cent occurred in electric power and gas utilities and mining, while forestry was up by about 8 per cent. Transportation was almost 1 per cent below fourth quarter levels, largely as a result of declines in railway and water transportation and a drop in oil and gas pipeline transport. The community, recreation, business and personal service group advanced by about one per cent.

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965
	I	II	III	IV	Year	I
1. Wages, salaries, and supplementary labour income ..	5,479	5,804	6,070	6,063	23,416	6,021
2. Military pay and allowances	140	150	147	146	583	145
3. Corporation profits before taxes	941	1,238	1,141	1,260	4,580	1,003
4. Deduct: Dividends paid to non-residents(1)	- 171	- 126	- 141	- 247	- 685	- 173
5. Rent, interest, and miscellaneous investment income	789	789	802	897	3,277	832
6. Accrued net income of farm operators from farm production(2)	11	187	1,118	156	1,472	3
7. Net income of non-farm unincorporated business(3) .	545	652	627	763	2,587	559
8. Inventory valuation adjustment(4)	- 35	- 73	22	- 35	- 121	- 41
9. NET NATIONAL INCOME AT FACTOR COST	7,699	8,621	9,786	9,003	35,109	8,349
10. Indirect taxes less subsidies	1,502	1,587	1,631	1,611	6,331	1,684
11. Capital consumption allowances and miscellaneous valuation adjustments	1,331	1,410	1,386	1,480	5,607	1,445
12. Residual error of estimate	- 88	- 107	100	51	- 44	- 153
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	10,444	11,511	12,903	12,145	47,003	11,325
14. (Gross national product at market prices excluding accrued net income of farm operators)	(10,433)	(11,324)	(11,785)	(11,989)	(45,531)	(11,322)

(1) Includes the withholding tax applicable to this item.

(2) Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

(3) Includes net income of independent professional practitioners.

(4) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965
	I	II	III	IV	Year	I
1. Personal expenditure on consumer goods and services	6,863	7,294	7,181	8,093	29,431	7,214
2. Government expenditure on goods and services(1, 2)	1,949	2,128	2,318	2,212	8,607	2,087
3. Business gross fixed capital formation(3)	1,875	2,314	2,344	2,435	8,968	2,115
4. New residential construction	462	451	513	595	2,021	474
5. New non-residential construction	558	808	1,003	974	3,343	700
6. New machinery and equipment	855	1,055	828	866	3,604	941
7. Value of physical change in inventories(4)	2	- 181	942	- 383	380	166
8. Non-farm business inventories	288	11	202	9	510	468
9. Farm inventories and grain in commercial channels	- 286	- 192	740	- 392	- 130	- 302
10. Exports of goods and services	2,129	2,714	2,907	2,690	10,440	2,248
11. Deduct: Imports of goods and services	- 2,463	- 2,866	- 2,689	- 2,850	- 10,868	- 2,658
12. Residual error of estimate	89	108	- 100	- 52	45	153
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	10,444	11,511	12,903	12,145	47,003	11,325

(1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

(2) For details of defence expenditure see line 3, Table 6.

(3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

(4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Source of Personal Income, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965
	I	II	III	IV	Year	I
1. Wages, salaries, and supplementary labour income	5,479	5,804	6,070	6,063	23,416	6,021
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 221	- 219	- 225	- 227	- 892	- 224
3. Military pay and allowances	140	150	147	146	583	145
4. Net income received by farm operators from farm production(1)	161	98	1,021	82	1,362	255
5. Net income of non-farm unincorporated business	545	652	627	763	2,587	559
6. Interest, dividends, and net rental income of persons(2)	907	934	929	990	3,760	949
Transfer payments to persons:						
7. From government (excluding interest)	1,115	1,038	986	1,020	4,159	1,259
8. Charitable contributions by corporations	11	11	11	11	44	11
9. PERSONAL INCOME	8,137	8,468	9,566	8,848	35,019	8,975

(1) This item differs from line 6, Table 1, by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 4. Disposition of Personal Income, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965
	I	II	III	IV	Year	I
1. Personal direct taxes	765	909	852	881	3,407	906
2. Income taxes	623	791	749	767	2,930	732
3. Succession duties and estate taxes	41	57	39	48	185	56
4. Miscellaneous	101	61	64	66	292	118
5. Personal expenditure on consumer goods and services ..	6,863	7,294	7,181	8,093	29,431	7,214
6. Non-durable goods	3,246	3,394	3,569	4,146	14,355	3,398
7. Durable goods	799	992	796	971	3,558	821
8. Services(1)	2,818	2,908	2,816	2,976	11,518	2,995
9. Personal net saving	509	265	1,533	- 126	2,181	855
10. Personal saving excluding change in farm inventories	775	388	785	332	2,280	1,134
11. Value of physical change in farm inventories	- 266	- 123	748	- 458	- 99	- 279
12. PERSONAL INCOME	8,137	8,468	9,566	8,848	35,019	8,975
13. (Personal disposable income)(2)	(7,372)	(7,559)	(8,714)	(7,967)	(31,612)	(8,069)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 5. Government Revenue, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965
	I	II	III	IV	Year	I
1. Direct taxes - Persons	765	909	852	881	3,407	906
2. Federal	549	699	648	662	2,558	621
3. Provincial and municipal	216	210	204	219	849	285
4. Direct taxes - Corporations	426	534	499	530	1,989	445
5. Federal	317	398	372	395	1,482	331
6. (Federal tax collections)	(324)	(521)	(375)	(385)	(1,605)	(359)
7. Provincial	109	136	127	135	507	114
8. (Provincial tax collections)	(116)	(126)	(131)	(113)	(486)	(137)
Withholding taxes:						
9. Federal(1)	30	34	25	51	140	37
10. Indirect taxes	1,566	1,653	1,706	1,723	6,648	1,731
11. Federal	616	719	739	773	2,847	689
12. Provincial and municipal	950	934	967	950	3,801	1,042
13. Investment income	350	365	362	442	1,519	367
14. Federal	119	133	129	166	547	117
15. Provincial and municipal	231	232	233	276	972	250
16. Employer and employee contributions to social insurance and government funds	221	219	225	227	892	224
17. Federal	141	136	140	141	558	140
18. Provincial and municipal	80	83	85	86	334	84
Transfers from Federal:						
19. Provincial and municipal	298	327	306	323	1,254	391
20. TOTAL REVENUE	3,656	4,041	3,975	4,177	15,849	4,101
21. FEDERAL	1,772	2,119	2,053	2,188	8,132	1,935
22. PROVINCIAL and MUNICIPAL	1,884	1,922	1,922	1,989	7,717	2,166

(1) Beginning in 1962, the withholding tax series has been adjusted to conform more closely with the flow of interest and dividends to non-residents.

TABLE 6. Government Expenditure, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965
	I	II	III	IV	Year	I
1. Goods and services	1,949	2,128	2,318	2,212	8,607	2,087
2. Federal	791	736	784	731	3,042	807
3. (Defence)	(457)	(364)	(357)	(374)	(1,552)	(457)
4. Provincial and municipal	1,158	1,392	1,534	1,481	5,565	1,280
5. Transfer payments to persons (excluding interest on the public debt)	1,115	1,038	986	1,020	4,159	1,259
6. Federal	634	566	503	532	2,235	661
7. Provincial and municipal	481	472	483	488	1,924	598
8. Interest on the public debt	350	405	369	408	1,532	372
9. Federal(1)	236	259	253	247	995	251
10. Provincial and municipal	114	146	116	161	537	121
11. Subsidies	64	66	75	112	317	47
12. Federal	60	61	52	105	278	41
13. Provincial	4	5	23	7	39	6
Transfers to other levels of government:						
14. Federal	298	327	306	323	1,254	391
15. Total expenditure	3,776	3,964	4,054	4,075	15,869	4,156
16. Federal	2,019	1,949	1,898	1,938	7,804	2,151
17. Provincial and municipal	1,757	2,015	2,156	2,137	8,065	2,005
18. Deficit (-) or surplus (+)	- 120	77	- 79	102	- 20	- 55
19. Federal	- 247	170	155	250	328	- 216
20. Provincial and municipal	127	- 93	- 234	- 148	- 348	161
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	3,656	4,041	3,975	4,177	15,849	4,101
22. FEDERAL	1,772	2,119	2,053	2,188	8,132	1,935
23. PROVINCIAL and MUNICIPAL	1,884	1,922	1,922	1,989	7,717	2,166

(1) The annual and the quarterly series of the federal public debt are on an accrual basis; prior to 1960 they are on a "due-date" basis.

TABLE 7. Source of National Saving, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965
	I	II	III	IV	Year	I
1. Personal net saving	509	265	1,533	- 126	2,181	855
2. Business gross saving	1,366	1,927	1,828	1,848	6,969	1,418
3. Undistributed corporation profits	185	428	345	294	1,252	225
4. Capital consumption allowances and miscellaneous valuation adjustments	1,331	1,410	1,386	1,480	5,607	1,445
5. Adjustment on grain transactions(1)	- 150	89	97	74	110	- 252
6. Inventory valuation adjustment	- 35	- 73	22	- 35	- 121	- 41
7. Government surplus (+) or deficit (-)	- 120	77	- 79	102	- 20	- 55
8. Residual error of estimate	- 88	- 107	100	51	- 44	- 153
9. Totals	1,632	2,089	3,404	1,840	8,965	2,024

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 8. Disposition of National Saving, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965
	I	II	III	IV	Year	I
1. Business gross fixed capital formation	1,875	2,314	2,344	2,435	8,968	2,115
2. New residential construction	462	451	513	595	2,021	474
3. New non-residential construction	558	808	1,003	974	3,343	700
4. New machinery and equipment	855	1,055	828	866	3,604	941
5. Value of physical change in inventories	2	- 181	942	- 383	380	166
6. Surplus (+) or deficit (-) on current account with non-residents	- 334	- 152	218	- 160	- 428	- 410
7. Residual error of estimate	89	108	- 100	- 52	45	153
8. Totals	1,632	2,089	3,404	1,840	8,965	2,024

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1964 and 1965(1)
(millions of dollars)

	1964					1965
	I	II	III	IV	Year	I
1. Personal expenditure on consumer goods and services	6,256	6,621	6,454	7,303	26,634	6,480
2. Non-durable goods	3,013	3,129	3,249	3,802	13,193	3,127
3. Durable goods	796	988	800	967	3,551	819
4. Services	2,447	2,504	2,405	2,534	9,890	2,534
5. Government expenditure on goods and services	1,551	1,767	1,988	1,793	7,099	1,602
6. Business gross fixed capital formation	1,610	1,961	1,979	2,042	7,592	1,733
7. New residential construction	383	367	411	475	1,636	373
8. New non-residential construction	486	699	865	831	2,881	581
9. New machinery and equipment	741	895	703	736	3,075	779
10. Change in inventories	52	- 208	846	- 337	353	207
11. Non-farm business inventories	297	16	161	11	485	452
12. Farm inventories and grain in commercial channels	- 245	- 224	685	- 348	- 132	- 245
13. Exports of goods and services	1,951	2,461	2,619	2,432	9,463	2,053
14. Deduct: Imports of goods and services	- 2,151	- 2,490	- 2,351	- 2,511	- 9,503	- 2,336
15. Residual error of estimate	79	96	- 89	- 46	40	132
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	9,348	10,208	11,446	10,676	41,678	9,871

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, derived by dividing the value figures in Table 2 by the constant dollar figures in Table 9, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965
	I	II	III	IV	Year	I
1. Wages, salaries, and supplementary labour income	22,732	23,100	23,704	24,128	23,416	24,984
2. Military pay and allowances	572	576	584	600	583	604
3. Corporation profits before taxes	4,596	4,468	4,376	4,880	4,580	4,940
4. Deduct: Dividends paid to non-residents(1)	- 684	- 588	- 680	- 788	- 685	- 696
5. Rent, interest, and miscellaneous investment income	3,220	3,252	3,248	3,388	3,277	3,380
6. Accrued net income of farm operators from farm production(2)	1,372	1,680	1,432	1,404	1,472	1,364
7. Net income of non-farm unincorporated business(3)	2,548	2,584	2,624	2,592	2,587	2,632
8. Inventory valuation adjustment	- 140	- 292	88	- 140	- 121	- 164
9. NET NATIONAL INCOME AT FACTOR COST	34,216	34,780	35,376	36,064	35,109	37,044
10. Indirect taxes less subsidies	6,140	6,340	6,500	6,344	6,331	6,880
11. Capital consumption allowances and miscellaneous valuation adjustments	5,512	5,580	5,596	5,740	5,607	5,900
12. Residual error of estimate	52	- 16	- 80	- 132	- 44	- 148
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	45,920	46,684	47,392	48,016	47,003	49,676
14. (Gross national product at market prices excluding accrued net income of farm operators)	(44,548)	(45,004)	(45,960)	(46,612)	(45,531)	(48,312)

(1) See footnote 1, Table 1.

(2) Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

(3) Includes net income of independent professional practitioners.

TABLE 11. Gross National Expenditure, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965
	I	II	III	IV	Year	I
1. Personal expenditure on consumer goods and services	28,852	29,040	29,684	30,148	29,431	30,588
2. Government expenditure on goods and services(1, 2)	8,564	8,524	8,544	8,796	8,607	9,060
3. Business gross fixed capital formation(3)	8,944	8,828	8,720	9,380	8,968	10,028
4. New residential construction	2,176	1,908	1,872	2,128	2,021	2,204
5. New non-residential construction	3,164	3,244	3,376	3,588	3,343	3,928
6. New machinery and equipment	3,604	3,676	3,472	3,664	3,604	3,896
7. Value of physical change in inventories	452	448	388	232	380	908
8. Non-farm business inventories	572	616	804	48	510	952
9. Farm inventories and grain in commercial channels(4)	- 120	- 168	- 416	184	- 130	- 44
10. Exports of goods and services	9,996	10,604	10,756	10,404	10,440	10,512
11. Deduct: Imports of goods and services	- 10,840	- 10,772	- 10,784	- 11,076	- 10,868	- 11,572
12. Residual error of estimate	- 48	12	84	132	45	152
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	45,920	46,684	47,392	48,016	47,003	49,676
Detail of Farm Inventories and GICC:						
Value of grain crop production	1,132	1,132	1,136	1,132	1,133	1,136
Depletions of farm stocks of grain	- 1,376	- 1,356	- 1,180	- 1,216	- 1,282	- 1,204
Change in livestock inventories	48	136	- 40	56	50	- 40
Grain in commercial channels	76	- 80	- 332	212	- 31	64

(1) See footnote 1, Table 2.

(2) For details of defence expenditures, see line 3, Table 15.

(3) See footnote 3, Table 2.

(4) In the seasonally adjusted series, the value of grain production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 2, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 12. Source of Personal Income, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965
	I	II	III	IV	Year	I
1. Wages, salaries, and supplementary labour income	22,732	23,100	23,704	24,128	23,416	24,984
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 876	- 900	- 892	- 900	- 892	- 888
3. Military pay and allowances	572	576	584	600	583	604
4. Net income received by farm operators from farm production(1)	1,828	1,276	1,108	1,236	1,362	2,232
5. Net income of non-farm unincorporated business	2,548	2,584	2,624	2,592	2,587	2,632
6. Interest, dividends, and net rental income of persons(2)	3,688	3,708	3,788	3,856	3,760	3,876
Transfer payments to persons:						
7. From government (excluding interest)	4,148	4,096	4,200	4,192	4,159	4,628
8. Charitable contributions by corporations	44	44	44	44	44	44
9. PERSONAL INCOME	34,684	34,484	35,160	35,748	35,019	38,112

(1) This item differs from line 6, Table 10 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 13. Disposition of Personal Income, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965
	I	II	III	IV	Year	I
1. Personal direct taxes	3,232	3,364	3,452	3,580	3,407	3,764
2. Income taxes	2,784	2,868	2,996	3,072	2,930	3,212
3. Succession duties and estate taxes	164	228	156	192	185	224
4. Miscellaneous	284	268	300	316	292	328
5. Personal expenditure on consumer goods and services	28,852	29,040	29,684	30,148	29,431	30,588
6. Non-durable goods	13,968	14,204	14,440	14,808	14,355	14,748
7. Durable goods	3,588	3,464	3,712	3,468	3,558	3,716
8. Services(1)	11,296	11,372	11,532	11,872	11,518	12,124
9. Personal net saving	2,600	2,080	2,024	2,020	2,181	3,760
10. PERSONAL INCOME	34,684	34,484	35,160	35,748	35,019	38,112
11. (Personal disposable income)(2)	(31,452)	(31,120)	(31,708)	(32,168)	(31,612)	(34,348)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 14. Government Revenue, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965
	I	II	III	IV	Year	I
1. Direct taxes - Persons	3,232	3,364	3,452	3,580	3,407	3,764
2. Federal	2,448	2,552	2,580	2,652	2,558	2,720
3. Provincial and municipal	784	812	872	928	849	1,044
4. Direct taxes - Corporations	1,976	1,976	1,968	2,036	1,989	2,068
5. Federal	1,484	1,480	1,468	1,496	1,482	1,548
6. (Federal tax collections)	(1,392)	(1,844)	(1,500)	(1,684)	(1,605)	(1,532)
7. Provincial	492	496	500	540	507	520
8. (Provincial tax collections)	(424)	(524)	(488)	(508)	(486)	(520)
Withholding taxes:						
9. Federal(1)	132	140	140	148	140	160
10. Indirect taxes	6,424	6,608	6,748	6,812	6,648	7,088
11. Federal	2,696	2,824	2,928	2,940	2,847	3,000
12. Provincial and municipal(1)	3,728	3,784	3,820	3,872	3,801	4,088
13. Investment income	1,488	1,508	1,484	1,596	1,519	1,540
14. Federal	560	524	520	584	547	544
15. Provincial and municipal	928	984	964	1,012	972	996
16. Employer and employee contributions to social insurance and government pension funds	876	900	892	900	892	888
17. Federal	556	568	552	556	558	552
18. Provincial and municipal	320	332	340	344	334	336
Transfers from federal:						
19. Provincial and municipal	1,164	1,300	1,264	1,288	1,254	1,524
20. TOTAL REVENUE	15,292	15,796	15,948	16,360	15,849	17,032
21. FEDERAL	7,876	8,088	8,188	8,376	8,132	8,524
22. PROVINCIAL and MUNICIPAL	7,416	7,708	7,760	7,984	7,717	8,508

(1) See Footnote 1, Table 5.

(2) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 15. Government Expenditure, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965
	I	II	III	IV	Year	I
1. Goods and services	8,564	8,524	8,544	8,796	8,607	9,060
2. Federal	3,160	2,996	3,016	2,996	3,042	3,144
3. (Defence)	(1,672)	(1,544)	(1,496)	(1,496)	(1,552)	(1,632)
4. Provincial and municipal	5,404	5,528	5,528	5,800	5,565	5,916
5. Transfer payments to persons (excluding interest on the public debt)	4,148	4,096	4,200	4,192	4,159	4,628
6. Federal	2,256	2,216	2,236	2,232	2,235	2,372
7. Provincial and municipal	1,892	1,880	1,964	1,960	1,924	2,256
8. Interest on the public debt	1,500	1,520	1,528	1,580	1,532	1,592
9. Federal(1)	984	988	992	1,016	995	1,048
10. Provincial and municipal	516	532	536	564	537	544
11. Subsidies	284	268	248	468	317	208
12. Federal	248	228	208	428	278	168
13. Provincial	36	40	40	40	39	40
Transfers to other levels of government:						
14. Federal	1,164	1,300	1,264	1,288	1,254	1,524
15. Total expenditure	15,660	15,708	15,784	16,324	15,869	17,012
16. Federal	7,812	7,728	7,716	7,960	7,804	8,256
17. Provincial and municipal	7,848	7,980	8,068	8,364	8,065	8,756
18. Deficit (-) or surplus (+)	- 368	88	164	36	- 20	20
19. Federal	64	360	472	416	328	268
20. Provincial and municipal	- 432	- 272	- 308	- 380	- 348	- 248
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	15,292	15,796	15,948	16,360	15,849	17,032
22. FEDERAL	7,876	8,088	8,188	8,376	8,132	8,524
23. PROVINCIAL and MUNICIPAL	7,416	7,708	7,760	7,984	7,717	8,508

(1) See footnote 1, Table 6.

TABLE 16. Source of National Saving, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965
	I	II	III	IV	Year	I
1. Personal net saving	2,600	2,080	2,024	2,020	2,181	3,760
2. Business gross saving	6,360	7,260	6,968	7,288	6,969	6,560
3. Undistributed corporation profits	1,304	1,276	1,048	1,380	1,252	1,528
4. Capital consumption allowances and miscellaneous valuation adjustments	5,512	5,580	5,596	5,740	5,607	5,900
5. Adjustment on grain transactions(1)	- 456	404	324	168	110	- 868
6. Inventory valuation adjustment	- 140	- 292	88	- 140	- 121	- 164
7. Government surplus (+) or deficit (-)	- 368	88	164	36	- 20	20
8. Residual error of estimate	52	- 16	- 80	- 132	- 44	- 148
9. Totals	8,504	9,120	9,164	9,072	8,965	10,028

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 17. Disposition of National Saving, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965
	I	II	III	IV	Year	I
1. Business gross fixed capital formation	8,944	8,828	8,720	9,380	8,968	10,028
2. New residential construction	2,176	1,908	1,872	2,128	2,021	2,204
3. New non-residential construction	3,164	3,244	3,376	3,588	3,343	3,928
4. New machinery and equipment	3,604	3,676	3,472	3,664	3,604	3,896
5. Value of physical change in inventories	452	448	388	232	380	908
6. Surplus (+) or deficit (-) on current account with non-residents	- 844	- 168	- 28	- 672	- 428	- 1,060
7. Residual error of estimate	- 48	12	84	132	45	152
8. Totals	8,504	9,120	9,164	9,072	8,965	10,028

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1964 and 1965(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965
	I	II	III	IV	Year	I
1. Personal expenditure on consumer goods and services	26,252	26,316	26,812	27,156	26,634	27,452
2. Non-durable goods	12,900	13,072	13,228	13,572	13,193	13,488
3. Durable goods	3,564	3,444	3,716	3,480	3,551	3,720
4. Services	9,788	9,800	9,868	10,104	9,890	10,244
5. Government expenditure on goods and services	7,140	7,076	6,996	7,184	7,099	7,340
6. Business gross fixed capital formation	7,684	7,476	7,360	7,848	7,592	8,232
7. New residential construction	1,796	1,552	1,504	1,692	1,636	1,728
8. New non-residential construction	2,764	2,808	2,904	3,048	2,881	3,280
9. New machinery and equipment	3,124	3,116	2,952	3,108	3,075	3,224
10. Change in inventories	444	424	336	208	353	832
11. Non-farm business inventories	568	596	744	32	485	900
12. Farm inventories and grain in commercial channels	- 124	- 172	- 408	176	- 132	- 68
13. Exports of goods and services	9,128	9,648	9,672	9,404	9,463	9,540
14. Deduct: Imports of goods and services	- 9,472	- 9,364	- 9,436	- 9,740	- 9,503	- 10,196
15. Residual error of estimate	- 44	12	76	116	40	132
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	41,132	41,588	41,816	42,176	41,678	43,332

(1) See footnote 1, Table 9.

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QUARTERLY

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NATIONAL ACCOUNTS
INCOME AND EXPENDITURE
(SECOND QUARTER 1965)



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"National Accounts, Income and Expenditure, by Quarters, 1947-61", for the years 1947-58.

"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1963," for the year 1959.

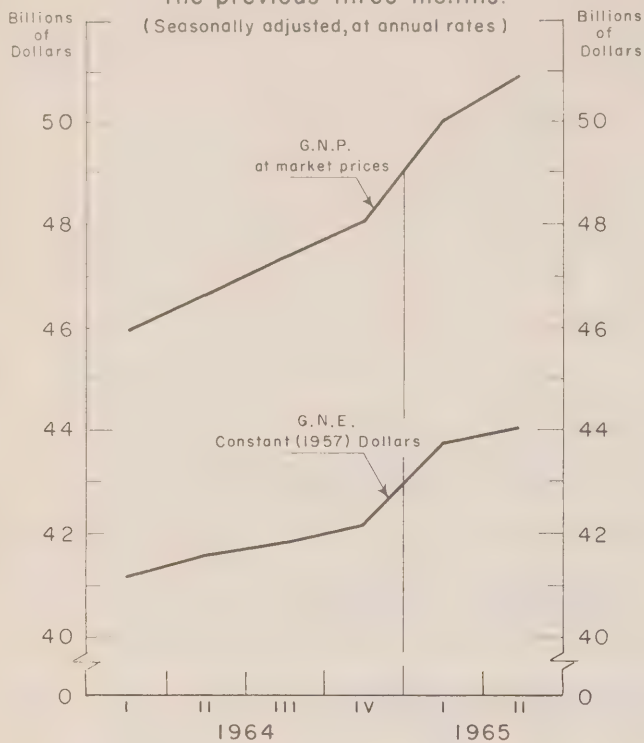
"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1964," for the years 1960-63.

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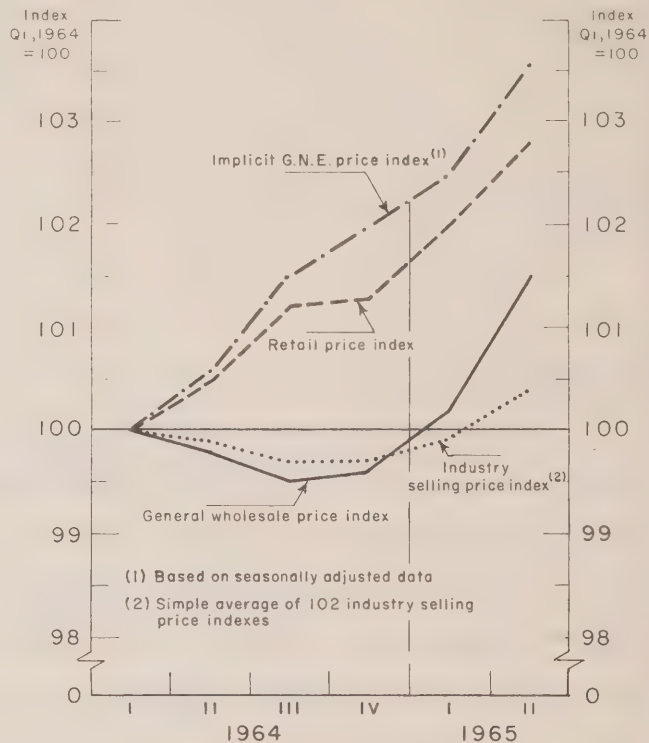
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Gross National Product continued to rise despite unusually sharp gains in the previous three months.

(Seasonally adjusted, at annual rates)

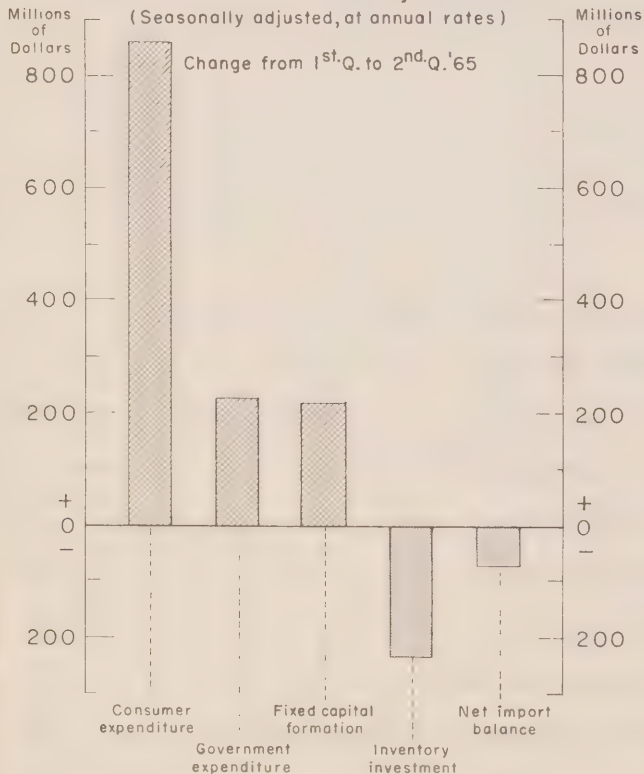


Price increases were more evident than in recent quarters.



Increases which occurred in final domestic demand were dampened by external transactions and inventory investment.

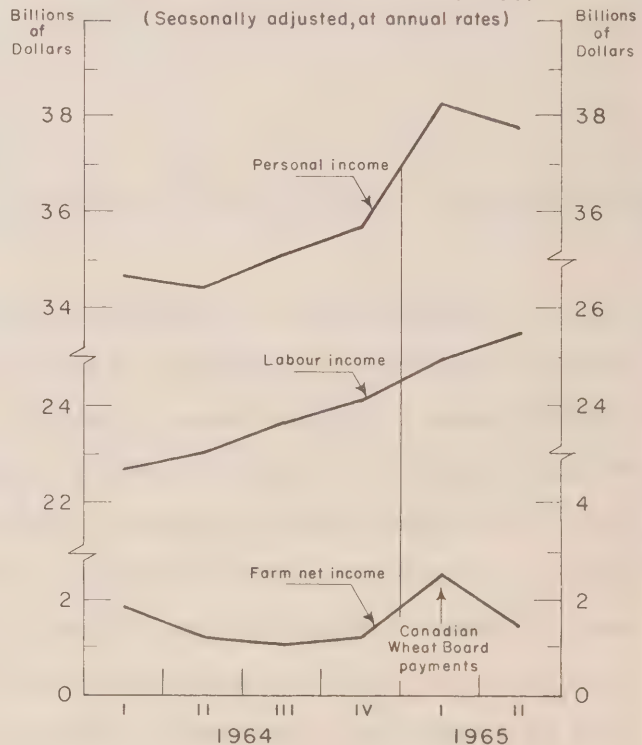
(Seasonally adjusted, at annual rates)



The decline in personal income resulted from the return to more normal levels of farm income.

Labour income continued to rise.

(Seasonally adjusted, at annual rates)



Introductory Review

Gross National Product in the second quarter of 1965 rose to a seasonally adjusted annual rate of \$50.9 billion, a gain of nearly 2 per cent from the preceding period. Displaying more movement than in the immediately preceding quarter, prices were about 1 per cent higher, so that somewhat less than half of the quarterly advance represented an increase in real terms. Expectations of a record crop are incorporated in the second quarter estimates and have also resulted in a sizeable revision to the first quarter estimate.^{1/} The value of Gross National Product excluding accrued net farm income rose in line with Gross National Product as a whole.

Although the increase in the second quarter was slightly less than that in the preceding period, for each of the past three quarters the Canadian economy has experienced a sustained growth in final domestic demand with increases which were surpassed in only two other quarters of the current expansion. In the second quarter, all the components of final domestic demand contributed to the advance in the total, with consumer spending the predominant influence in the quarterly movement in Gross National Product. Further impetus came from the already large capital programme in plant and equipment and from government outlays for goods and services. At the same time the rate of accumulation of business inventories, although remaining high, declined, thereby restraining the upward tendency in economic activity rather than reinforcing it, as in the preceding period. Although there was some further widening in the deficit on current international account, the change was less pronounced than in the preceding quarter.

With consumer spending rising nearly 3 per cent, the highest rate of growth since the beginning of the current expansion, the major increment to demand in the second quarter came from the personal sector. A substantial advance in outlays for non-durables, following little change in the preceding quarter, is attributable in part to the significant rise in prices in this area. At the same time purchases of durables moved ahead of their high first quarter level and spending on services continued to rise.

The continuing strength in business gross fixed capital formation brought it more than 2 per cent above the first quarter, with most of the increase accounted for by outlays for plant and equipment. The increase in government outlays for goods and services was also an important expansionary influence; they rose 2½ per cent, mainly, it appears, as a result of capital outlays at the municipal level. Federal government expenditure was somewhat lower in total, as decreased payments for military equipment more than offset rising non-defence expenditures.

The rising flow of goods from domestic production and imports exceeded the expansion in final demand, with the result that there was a substantial accumulation of business stocks. However, the rate of build-up was below the unusually high level of the first quarter. The pattern of shifts in business inventories in recent quarters has been influenced to some extent by the sequence of events in the strike-affected automotive industry.

The deficit on current international account widened in the second quarter. Exports of goods rose somewhat more than imports but there was a larger gap between receipts from, and payments for, services.

Turning to the income side, labour income continued to rise but not at the unusually high rate of the first quarter, while corporation profits were virtually unchanged at a high level. Personal income fell over 1 per cent, despite the advance in National Income; most of this divergence is accounted for by sharply reduced payments to the farmers by the Canadian Wheat Board which had been at an all-time high in the preceding quarter.

^{1/}The original estimate of Gross National Product for the first quarter assumed an average crop. This estimate was based on acreage intentions and ten-year average yields. Gross National Product for the first quarter has been revised upward by \$300 million to take account of the August forecast of a record crop.

Quarter to Quarter Changes in Final Purchases
(Seasonally Adjusted at Annual Rates)
(millions of dollars)

	4Q'61 to 1Q'62	1Q'62 to 2Q'62	2Q'62 to 3Q'62	3Q'62 to 4Q'62	4Q'62 to 1Q'63	1Q'63 to 2Q'63	2Q'63 to 3Q'63	3Q'63 to 4Q'63	4Q'63 to 1Q'64	1Q'64 to 2Q'64	2Q'64 to 3Q'64	3Q'64 to 4Q'64	4Q'64 to 1Q'65	1Q'65 to 2Q'65
1. Personal expenditure	660	148	116	528	340	396	492	516	704	188	644	464	364	860
2. Government expenditure	- 4	372	- 144	60	204	- 96	228	8	444	- 40	20	252	324	224
3. Residential construction	80	40	24	- 20	12	72	64	100	344	- 268	- 36	256	28	28
4. Non-residential construction ..	- 44	- 80	- 48	24	28	224	16	76	208	80	132	212	360	80
5. Machinery and equipment	48	80	136	68	- 8	104	112	156	356	72	- 204	192	284	112
6. Exports of goods and services ..	40	224	116	84	176	348	40	736	260	608	152	- 352	148	256
7. Total final purchases	780	784	200	744	752	1,048	952	1,592	2,316	640	708	1,024	1,508	1,560
8. (Final domestic demand)	740	560	84	660	576	700	912	856	2,056	32	556	1,376	1,360	1,304

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in non-farm business inventories	- 540	- 88	340	- 612	160	- 316	380	252	72	44	188	- 756	896	- 268
10. Imports of goods and services ..	- 64	404	- 48	- 436	304	212	432	360	700	- 68	12	292	444	332
11. G.N.P. (ex. farm)	512	404	628	648	476	412	872	1,080	1,744	456	956	652	1,764	880

Constant (1957) Dollars

Quarter to Quarter Percentage Changes in Selected Items

12. Final domestic demand	1.2	0.8	- 0.2	1.1	0.8	1.2	1.5	1.5	4.0	- 0.5	0.7	2.5	1.9	1.6
13. Total final purchases	1.0	1.0	-	1.1	1.0	1.7	1.3	2.5	3.7	0.6	0.6	1.5	1.9	1.6
14. Gross national expenditure	2.2	0.2	1.3	1.2	1.2	0.5	1.7	2.2	2.4	1.1	0.5	0.9	3.8	0.7

It may be useful to view the performance of the economy in the second quarter in the light of the two preceding quarters and the first half of this year compared with the same period of 1964. The figures are shown in the accompanying table. Between the first two quarters of 1965 the emphasis shifted away from accumulation of business inventories and capital investment toward consumer spending. The first half year comparison brings out the importance of the role of capital spending and the response shown by imports to the higher level of economic activity in Canada.

Percentage Changes in Components of Gross National Expenditure and Other Data
(Seasonally Adjusted Data)

	4Q-1964 to 1Q-1965	1Q-1965 to 2Q-1965	1st half 1964 to 1st half 1965
Gross National Expenditure	4.2	1.8	9.1
Personal expenditure	1.2	2.8	6.9
Government expenditure	3.7	2.5	8.1
Business gross fixed capital	7.2	2.2	14.4
Business inventories	(\$896M)	(\$-268M)	(\$216M)
Farm inventories	(\$ 80M)	(\$ 32M)	(\$424M)
Exports of goods and services	1.4	2.4	3.7
Imports of goods and services	4.0	2.9	8.1
Net National Income	3.6	1.3	9.0
Wages and salaries	3.6	2.3	10.3
Corporation profits before taxes ^{1/}	1.2	-0.6	8.6
Personal disposable income	7.3	-1.6	9.5

^{1/} Before deducting dividends paid to non-residents.

Price Movements

Price increases were somewhat more pronounced in the current quarter than in other recent quarters. Significant changes, however, appeared to be confined to prices of food and certain construction materials.

An examination of the non-food, final product prices in the manufacturing sector suggests that there has been on average no appreciable change over the past twelve months, so that the recent price increases in certain of the metal groups do not appear to have affected manufacturing final product prices.^{1/}

The price component of personal expenditure advanced by about 1 per cent during the current quarter. Food prices, which increased by over 2 per cent on a seasonally adjusted basis, were mainly responsible for this increase. Discounting seasonal movements, food prices reached a peak in June and have since begun to move down. Prices of non-food commodities increased by about $\frac{1}{2}$ per cent, while service prices advanced by less than 1 per cent. Prices of durable goods, which have been notably stable over the past year, showed a slight increase between the first and second quarters.

The price component of business gross fixed capital formation appears to have advanced by close to $1\frac{1}{2}$ per cent between the first and second quarters as a result of increases in both construction material prices and wage rates.

Export prices on average showed only moderate increases during the quarter, despite sharp gains in the prices of live animals.

^{1/} A selection of industry selling price indexes were used for this examination.

The following table shows per cent changes in the implicit price index of Gross National Expenditure and its components over the past four quarters.

Implicit Price Indexes^{1/}

Gross National Expenditure and its Components. Per cent change from the Preceding Quarter

	2Q/64 to 3Q/64	3Q/64 to 4Q/64	4Q/64 to 1Q/65	1Q/65 to 2Q/65
Personal expenditure on goods and services	0.3	0.3	0.4	0.9
Total goods excluding food	-0.2	0.4	0.1	0.5
Food	0.8	-0.6	0.5	2.2
Services	0.8	0.5	0.7	0.7
Government expenditure	1.3	0.2	1.1	0.9
Business gross fixed capital formation	0.3	0.8	1.9	1.4
New residential construction	1.3	1.0	1.3	1.6
New non-residential construction	0.7	1.2	2.0	2.2
New machinery and equipment	-0.3	0.3	2.5	0.4
Exports of goods and services	1.2	-0.5	-0.5	0.5
Imports of goods and services	-0.6	-0.5	0.6	0.3
Gross National Expenditure	0.9	0.4	0.5	1.0

^{1/}Seasonally adjusted.

Components of Demand

Consumer Expenditure on Goods and Services

Consumer expenditure on goods and services reached a level of \$31.4 billion seasonally adjusted at annual rates, a 2.8 per cent increase over the first quarter, 1965, the highest rate of growth since the beginning of the current expansion. In real terms, however, the gain was dampened by the above-noted increase of almost 1 per cent in prices. The sizeable increment in consumer credit outstanding shows that again a part of the increased purchases was financed by the extension of credit. The value of consumer expenditure in the first half of this year was running almost 7 per cent above the comparable period in 1964.

In contrast to the first quarter, when services accounted for the larger share of the additional purchases of consumers, more than 70 per cent of the \$860 million increment in the present quarter was spent on goods, where it was reflected in the buoyancy of retail sales for the quarter.

Whereas in the first quarter, purchases of new and used cars accounted for virtually all the increased spending on goods, in the present quarter spending was concentrated among non-durables, where the money value of sales registered the highest rate of growth for many years -- certainly during the present expansionary period. Chiefly responsible for the record increase in purchases are foodstuffs, which made a rapid recovery from the first quarter dip, for a gain of close to 4½ per cent, about half of which was attributable to price change.

Apart from a decrease in purchases of tobacco, all other components shared in the strong demand for non-durables. Spending on alcohol increased by 5½ per cent, fuel, electricity and gas by 2½ per cent and commodities associated with the operation of cars (gas, oil, grease, parts and accessories) by almost 1 per cent. Purchases of clothing (including footwear) increased by 2 per cent, reversing a downward trend evident for the past two quarters.

At annual rates spending on durable goods advanced by \$96 million over the first quarter, with most of the gain taking place in new and used cars -- up over $4\frac{1}{2}$ per cent. Net purchases of used cars increased more than 18 per cent as purchases increased relative to trade-ins in contrast to the previous quarter. Purchases of new cars rose moderately. Among other durables, furniture increased 2 per cent, appliances and radios by $1\frac{1}{2}$ per cent and jewellery and watches by close to $4\frac{1}{2}$ per cent.

Spending on services rose by about 2 per cent with all items making a contribution. Outlays on shelter increased by about $1\frac{1}{2}$ per cent and purchased transportation by about $2\frac{1}{2}$ per cent with about half the increase reflected in prices. Personal services and personal care rose by approximately 1 per cent each, while spending on household operation was up by more than $2\frac{1}{2}$ per cent.

Business Gross Fixed Capital Formation

The rate of investment in fixed capital rose in the second quarter. At an annual rate of about \$10.3 billion, after discounting seasonal factors, capital spending was 2 per cent above the first quarter. Increases in new plant and machinery and equipment outlays accompanied a modest rise in housing. Although total business outlays during the first half of the year ran 13 per cent ahead of the year 1964, this level was below the almost 19 per cent forecast in the mid-year review of investment intentions.

The estimate of \$2.2 billion of new housing put in place was up 1 per cent from the first quarter. Estimated starts moved from 158.0 to 173.9 thousands, while completions advanced from 165.1 to 168.2 thousands seasonally adjusted at annual rates. The value estimate which does not exhibit the strength suggested by the starts series is affected by the compositional shift from single to the lower cost multiple dwellings. Single-detached dwelling unit starts in urban centres fell about 3 per cent in the second quarter, while multiple dwelling units rose 22 per cent.

The value of new non-residential construction totalled about \$4.0 billion in the second quarter, a rise of 2 per cent from the first. Second quarter adjusted production figures for certain individual building materials show gains from the first quarter for most other than iron and steel and concrete items. Outlays on new machinery and equipment rose almost 3 per cent to a level of about \$4.1 billion in the second quarter. Combined outlays on plant and machinery in the first half of the year ran 15 per cent above the year 1964. In view of lack of complete data on imports of machinery, overall estimates of investment in machinery for the second quarter should be regarded as tentative. However, it is clear that business spending on commercial vehicles rose sharply and that there was a higher level of investment in other machinery and equipment which generated increased production in the directly related domestic industries.

Non-Farm Business Inventories

The pronounced rate of accumulation in business inventories evident in the first quarter fell in the second quarter of 1965. After allowance is made for seasonal variation, the inventory build-up was \$676 million at annual rates, compared with a build-up of \$944 million in the previous quarter. Although final purchases continued to expand, the combined supply of domestically produced goods, particularly manufacturers of durable goods lines, and the higher rate of imports of goods was sufficient for a sizeable stock accumulation. About half of the build-up in business inventories occurred in the holdings of retail traders, concentrated mainly in durable goods, while the greater part of the remainder was in wholesale and in manufacturing industries, where it was also concentrated mainly in durable good lines. The following table shows the value of physical change in non-farm business inventories in the 1st and 2nd quarters, 1965, by industry:

Change in Non-Farm Business Inventories
(Seasonally Adjusted, at Annual Rates)

	1965	
	1st Q. (millions of dollars)	2nd Q.
Manufacturing	540	140
Durables	308	212
Non-durables	232	-72
Wholesale	84	152
Retail	204	308
"Other" Industries	116	76
Total	944	676

Manufacturing stocks continued to increase on balance, but at a much reduced rate when compared with the previous quarter. While there was a widespread accumulation in the stocks of manufacturers of durable goods, noticeably in electrical, and transportation industries, non-durable lines showed a mixed movement which resulted in a depletion of stocks. At all stages of processing but more noticeably in goods-in-process, there were additions to stocks. The stock-to-shipments ratio was higher than in the previous quarter but was still low relative to the early period of the current expansion.

In wholesale trades, the major part of the restocking took place in durable lines. In non-durables, the small accumulation was the result of the build-up of stocks of petroleum and other trades, offsetting slightly the liquidation of stocks of groceries. The stock-to-sales ratio declined when compared with the previous quarter.

A considerable build-up occurred in the stocks of retail traders in both durables and non-durables. The durables were largely influenced by the accumulation of stocks in the hands of motor vehicle dealers, as shipments received kept ahead of sales. Among non-durables, the movement was mixed, leaving on balance, a small accumulation. The stock-to-sales ratio was higher when compared with the previous quarter, but the level remained the same as in the previous year.

Exports and Imports of Goods and Services

The deficit in Canada's external account on a national accounts basis showed little change, moving from \$968 million in the first to \$1,044 million seasonally adjusted at annual rates in the second quarter. The change of \$76 million resulted from an increased deficit of \$96 million on non-merchandise trade offsetting an increase of \$20 million in the surplus on merchandise trade. Flows of goods both into and out of the country recorded appreciable gains of a similar size in the second quarter, but merchandising transactions between the opening halves of both 1964 and 1965 registered a much sharper growth in imports.

Exports and Imports of Goods and Services
(Seasonally Adjusted, at annual rates)

	Goods			Services			Current Balance
	Exports	Imports	Net	Exports	Imports	Net	
(millions of dollars)							
1964 - 1	7,804	7,528	276	2,192	3,312	-1,120	-844
2	8,480	7,572	908	2,124	3,200	-1,076	-168
3	8,572	7,476	1,096	2,184	3,308	-1,124	-28
4	8,096	7,576	520	2,308	3,500	-1,192	-672
1965 - 1	8,204	8,068	136 ^{1/}	2,348	3,452	-1,104	-968
2	8,448	8,292	156 ^{1/}	2,360	3,560	-1,200	-1,044
1Q/65 to 2Q/65 per cent change	3.0	2.8		0.5	3.1		

^{1/}Adjustments to Trade of Canada figures for National Accounts purposes reduced exports and increased imports in the first quarter, thereby narrowing the surplus on merchandise trade, while in the second quarter the direction of these adjustments was reversed. Details of adjustments appear in the second quarter estimates of the Canadian Balance of International Payments.

In relation to the first quarter exports, gains were made in aluminum, newsprint, non-farm machinery, copper, zinc, wood pulp, fish, crude petroleum, and natural gas. Reductions appeared in exports of iron ore, wheat clearances, nickel, lumber, and asbestos. Data on commodity imports are not yet available but if the pattern of the first quarter is maintained some increases may be recorded in automobiles and parts, fabricated steel materials, and machinery and equipment.

Export gains over the previous quarter were made in United States' markets, offsetting losses in the United Kingdom and elsewhere (primarily O.E.C.D. countries other than those cited and Japan). United States' suppliers accounted for two-thirds of the increase in imports.

Larger deficits in the travel account and in the freight and shipping account were the main elements in the change in services, in both cases as a result of a higher level of expenditures by Canadians.

The Government Sector

The combined saving of all levels of government, as measured by the surplus on a national accounts basis, rose to an annual rate of \$340 million from \$140 million in the previous quarter. The improvement in the surplus position came at the federal level with the federal government registering the largest quarterly surplus since 1957. This movement was dampened somewhat by a widening of the deficit at the provincial-municipal level as the rate of increase in provincial-municipal expenditures was more than double that of revenues.

Total combined revenue reached an annual rate of \$17,448 million in the second quarter, a rise of 2 per cent, or almost \$350 million. The revenue increases were partly attributable to receipts from federal and provincial personal direct taxes and corporate income taxes which rose by \$72 million and \$52 million respectively, but mainly to the increased revenue stemming from the higher yield of indirect taxes, which rose by \$200 million. Indirect tax receipts registered gains in excise taxes, excise duties and custom import duties at the federal level, and in gasoline taxes at the provincial-municipal level. The increases are largely the result of a greater volume of transactions rather than tax rate changes.

Higher outlays which raised total government expenditure to an annual rate of \$17,108 million, and almost 1 per cent above the previous quarter are mainly due to a $2\frac{1}{2}$ per cent increase in government expenditure on goods and services. This increase, as noted in the introduction, appears to have been associated with an expansion in capital spending at the municipal level, with slightly higher provincial outlays and with higher federal non-defence expenditure. The drop back to more normal levels of defence spending, after the substantial outlays made on military equipment in the first quarter, resulted in an overall decline in federal government purchases of final goods and services.

Transfer payments made by governments to persons were maintained at a high level in the second quarter but registered a 2 per cent decline as provincial payments dropped back from the exceedingly high level of the first quarter. The decline at the provincial level was spread over all major components.

Income Flows

Labour Income

Labour income continued to move upward in the second quarter, but at a perceptibly slower rate than in the previous quarter, partly reflecting the slowdown in addition to the numbers employed. Total labour income seasonally adjusted, rose by just over $2\frac{1}{4}$ per cent, an addition of over \$0.5 billion at annual rates between the first and second quarter. Gains in employment and in average earnings appear to have contributed equally to the increase.

Wages and salaries in the goods-producing industries were 2 per cent higher in the second quarter, with the primary industries advancing $3\frac{1}{2}$ per cent and manufacturing recording a gain of over $2\frac{1}{4}$ per cent. Construction wages and salaries declined slightly from the record level attained in the first quarter, a movement consonant with the dip in employment in the industry.

Wages and salaries in the service-producing industries continued the established pattern of sizeable quarterly gains with a $2\frac{1}{2}$ per cent rise. A more than 3 per cent increase in trade, and a 3 per cent advance in the finance and service industries were largely attributable to the greater numbers employed in these industries. The increases in the government wage and salary bill and in the transportation, storage and communication industries, between 1 and 2 per cent, were below the overall average.

Other Income Flows

Corporation profits (before taxes and before dividends paid to non-residents) made no further gains from the record level attained in the previous quarter. At seasonally adjusted annual rates, profits remained at the \$4.9 billion level, lower by $\frac{1}{2}$ per cent from the previous quarter.

The quarter-to-quarter changes in profits by industry were fairly large, though offsetting. Among manufacturing industries, there was a decline in the metal, wood, and paper industries while some increases were registered in non-metallic mineral products, petroleum and coal, and chemicals. Profits increased in mining and fell in the transportation, storage and communications group and in finance.

Rent, interest and miscellaneous investment income at \$3,472 million in the second quarter of 1965 was up by over 1 per cent from the \$3,416 million in the first quarter of the year, seasonally adjusted at annual rates.

The record high new crop expectations are reflected in the sharply revised estimate of seasonally adjusted accrued net income of farm operators from \$1,364 to \$1,664 million in the first quarter 1965. In the second quarter accrued net income increased by over $1\frac{1}{2}$ per cent, mainly as a result of increased livestock production. A record number of calves born and higher receipts from livestock marketings were the main factors in this increased production.

Net income of non-farm unincorporated business increased 5 per cent, seasonally adjusted, in the second quarter 1965 from the first quarter. The increase was concentrated in retail trade, fishing, and the transportation industry. The most marked increase was recorded in retail trade with the highest quarterly increase since the summer of 1961. The remaining industries showed little or no change in net income.

Production by Industry

Seasonally adjusted real domestic product less agriculture for the second quarter of 1965 was about 1 per cent higher than in the preceding quarter. During the seventeen quarters of the current expansion, real non-agricultural output has achieved a gain of 28 per cent from its cyclical trough in the first quarter of 1961.

Trade and manufacturing were the largest contributors to the second quarter increase in non-agricultural real output, accounting for about one quarter of this gain in each case. Transportation, storage and communication and the remaining service-producing industries jointly contributed another 40 per cent to this gain.

Within manufacturing, which showed a 1 per cent increase, durables advanced more rapidly than non-durables. The $1\frac{1}{2}$ per cent gain in the durables group accounted for over two-thirds of the second quarter increase in manufacturing output. Most major components contributed to the gain. As in the first quarter, transportation equipment showed the largest gain and accounted for more than half of the increase in durables. Electrical apparatus and supplies also continued to expand, while the output of the iron and steel products and wood products industries resumed its upward trend following a pause in the first quarter. The only industry group to show a decline in the second quarter was non-metallic mineral products, which declined substantially, largely as a result of decreases in the output of cement products. Within the non-durables group, which was up by about $\frac{1}{2}$ per cent, only the chemical industries showed fairly substantial gains in the second quarter. Increases of up to about 1 per cent were recorded by textiles, paper and tobacco products. Leather products and foods and beverages showed declines of about 2 per cent, the latter mainly as a result of an 8 per cent drop in the production of beverage products.

The 2 per cent increase in trade came mostly from the 3 per cent gain in its retail trade component, while wholesale trade increased by about 1 per cent. Within retail trade, most stores showed increases in the second quarter, with motor vehicle dealer sales accounting for about one-fifth of the gain in total retail trade. Sales of food and beverage stores were also up compared with first quarter levels.

Among the remaining industry groups, transportation showed a 2 per cent increase, with air and water transport exhibiting the largest gains. Construction, storage and forestry recorded increases ranging from 2 to 8 per cent. Mining, with a 2 per cent decline, was still slightly above its fourth quarter levels. Of its three components only fuel mining showed a gain in the second quarter while metal mining and non-metal mining both dropped by about 5 per cent.

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income ..	5,479	5,804	6,070	6,063	23,416	6,024	6,422	
2. Military pay and allowances	140	150	147	146	583	145	153	
3. Corporation profits before taxes	941	1,238	1,141	1,260	4,580	1,003	1,318	
4. Deduct: Dividends paid to non-residents(1)	- 171	- 126	- 141	- 247	- 685	- 177	- 144	
5. Rent, interest, and miscellaneous investment income	789	789	802	897	3,277	839	847	
6. Accrued net income of farm operators from farm production(2)	11	187	1,118	156	1,472	1	108	
7. Net income of non-farm unincorporated business(3)	545	652	627	763	2,587	559	699	
8. Inventory valuation adjustment(4)	- 35	- 73	22	- 35	- 121	- 46	- 116	
9. NET NATIONAL INCOME AT FACTOR COST	7,699	8,621	9,786	9,003	35,109	8,348	9,287	
10. Indirect taxes less subsidies	1,502	1,587	1,631	1,611	6,331	1,687	1,769	
11. Capital consumption allowances and miscellaneous valuation adjustments	1,331	1,410	1,386	1,480	5,607	1,445	1,564	
12. Residual error of estimate	- 88	- 107	100	51	- 44	- 118	- 54	
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	10,444	11,511	12,903	12,145	47,003	11,362	12,566	
14. (Gross national product at market prices excluding accrued net income of farm operators)	(10,433)	(11,324)	(11,785)	(11,989)	(45,531)	(11,361)	(12,458)	

(1) Includes the withholding tax applicable to this item.

(2) Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

(3) Includes net income of independent professional practitioners.

(4) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	6,863	7,294	7,181	8,093	29,431	7,235	7,890	
2. Government expenditure on goods and services(1, 2)	1,949	2,128	2,318	2,212	8,607	2,088	2,366	
3. Business gross fixed capital formation(3)	1,875	2,314	2,344	2,435	8,968	2,153	2,687	
4. New residential construction	462	451	513	595	2,021	470	524	
5. New non-residential construction	558	808	1,003	974	3,343	731	996	
6. New machinery and equipment	855	1,055	828	866	3,604	952	1,167	
7. Value of physical change in inventories(4)	2	- 181	942	- 383	380	167	- 63	
8. Non-farm business inventories	288	11	202	9	510	469	61	
9. Farm inventories and grain in commercial channels	- 286	- 192	740	- 392	- 130	- 302	- 124	
10. Exports of goods and services	2,129	2,714	2,907	2,690	10,440	2,258	2,754	
11. Deduct: Imports of goods and services	- 2,463	- 2,866	- 2,689	- 2,850	- 10,868	- 2,657	- 3,122	
12. Residual error of estimate	89	108	- 100	- 52	45	118	54	
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	10,444	11,511	12,903	12,145	47,003	11,362	12,566	

(1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

(2) For details of defence expenditure see line 3, Table 6.

(3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

(4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Source of Personal Income, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	5,479	5,804	6,070	6,063	23,416	6,024	6,422	
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 221	- 219	- 225	- 227	- 892	- 229	- 226	
3. Military pay and allowances	140	150	147	146	583	145	153	
4. Net income received by farm operators from farm production(1)	161	98	1,021	82	1,362	253	62	
5. Net income of non-farm unincorporated business	545	652	627	763	2,587	559	699	
6. Interest, dividends, and net rental income of persons(2)	907	934	929	990	3,760	955	978	
Transfer payments to persons:								
7. From government (excluding interest)	1,115	1,038	986	1,020	4,159	1,226	1,109	
8. Charitable contributions by corporations	11	11	11	11	44	11	11	
9. PERSONAL INCOME	8,137	8,468	9,566	8,848	35,019	8,944	9,208	

(1) This item differs from line 6, Table 1, by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 4. Disposition of Personal Income, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal direct taxes	765	909	852	881	3,407	907	1,040	
2. Income taxes	623	791	749	767	2,930	737	909	
3. Succession duties and estate taxes	41	57	39	48	185	44	49	
4. Miscellaneous	101	61	64	66	292	126	82	
5. Personal expenditure on consumer goods and services ..	6,863	7,294	7,181	8,093	29,431	7,235	7,890	
6. Non-durable goods	3,246	3,394	3,569	4,146	14,355	3,398	3,657	
7. Durable goods	799	992	796	971	3,558	821	1,094	
8. Services(1)	2,818	2,908	2,816	2,976	11,518	3,016	3,139	
9. Personal net saving	509	265	1,533	- 126	2,181	802	278	
10. Personal saving excluding change in farm inventories	775	388	785	332	2,280	1,081	379	
11. Value of physical change in farm inventories	- 266	- 123	748	- 458	- 99	- 279	- 101	
12. PERSONAL INCOME	8,137	8,468	9,566	8,848	35,019	8,944	9,208	
13. (Personal disposable income)(2)	(7,372)	(7,559)	(8,714)	(7,967)	(31,612)	(8,037)	(8,168)	

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 5. Government Revenue, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Direct taxes - Persons	765	909	852	881	3,407	907	1,040	
2. Federal	549	699	648	662	2,558	621	757	
3. Provincial and municipal	216	210	204	219	849	286	283	
4. Direct taxes - Corporations	426	534	499	530	1,989	445	578	
5. Federal	317	398	372	395	1,482	331	431	
6. (Federal tax collections)	(324)	(521)	(375)	(385)	(1,605)	(359)	(566)	
7. Provincial	109	136	127	135	507	114	147	
8. (Provincial tax collections)	(116)	(126)	(131)	(113)	(486)	(140)	(140)	
Withholding taxes:								
9. Federal	30	34	25	51	140	37	44	
10. Indirect taxes	1,566	1,653	1,706	1,723	6,648	1,733	1,825	
11. Federal	616	719	739	773	2,847	689	800	
12. Provincial and municipal	950	934	967	950	3,801	1,044	1,025	
13. Investment income	350	365	362	442	1,519	374	395	
14. Federal	119	133	129	166	547	117	142	
15. Provincial and municipal	231	232	233	276	972	257	253	
16. Employer and employee contributions to social insurance and government pension funds	221	219	225	227	892	229	226	
17. Federal	141	136	140	141	558	145	139	
18. Provincial and municipal	80	83	85	86	334	84	87	
Transfers from Federal:								
19. Provincial and municipal	298	327	306	323	1,254	388	369	
20. TOTAL REVENUE	3,656	4,041	3,975	4,177	15,849	4,113	4,477	
21. FEDERAL	1,772	2,119	2,053	2,188	8,132	1,940	2,313	
22. PROVINCIAL AND MUNICIPAL	1,884	1,922	1,922	1,989	7,717	2,173	2,164	

TABLE 6. Government Expenditure, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Goods and services	1,949	2,128	2,318	2,212	8,607	2,088	2,366	
2. Federal	791	736	784	731	3,042	822	770	
3. (Defence)	(457)	(364)	(357)	(374)	(1,552)	(461)	(362)	
4. Provincial and municipal	1,158	1,392	1,534	1,481	5,565	1,266	1,596	
5. Transfer payments to persons (excluding interest on the public debt)	1,115	1,038	986	1,020	4,159	1,226	1,109	
6. Federal	634	566	503	532	2,235	658	593	
7. Provincial and municipal	481	472	483	488	1,924	568	516	
8. Interest on the public debt	350	405	369	408	1,532	375	435	
9. Federal	236	259	253	247	995	253	271	
10. Provincial and municipal	114	146	116	161	537	122	164	
11. Subsidies	64	66	75	112	317	46	56	
12. Federal	60	61	52	105	278	40	50	
13. Provincial	4	5	23	7	39	6	6	
Transfers to other levels of government:								
14. Federal	298	327	306	323	1,254	388	369	
15. Total expenditure	3,776	3,964	4,054	4,075	15,869	4,123	4,335	
16. Federal	2,019	1,949	1,898	1,938	7,804	2,161	2,053	
17. Provincial and municipal	1,757	2,015	2,156	2,137	8,065	1,962	2,282	
18. Deficit (-) or surplus(+)	- 120	77	- 79	102	- 20	- 10	142	
19. Federal	- 247	170	155	250	328	- 221	260	
20. Provincial and municipal	127	- 93	- 234	- 148	- 348	211	- 118	
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	3,656	4,041	3,975	4,177	15,849	4,113	4,477	
22. FEDERAL	1,772	2,119	2,053	2,188	8,132	1,940	2,313	
23. PROVINCIAL AND MUNICIPAL	1,884	1,922	1,922	1,989	7,717	2,173	2,164	

TABLE 7. Source of National Saving, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal net saving	509	265	1,533	- 126	2,181	802	278	
2. Business gross saving	1,366	1,927	1,828	1,848	6,969	1,411	2,060	
3. Undistributed corporation profits	185	428	345	294	1,252	218	450	
4. Capital consumption allowances and miscellaneous valuation adjustments	1,331	1,410	1,386	1,480	5,607	1,445	1,564	
5. Adjustment on grain transactions(1)	- 150	89	97	74	110	- 252	46	
6. Inventory valuation adjustment	- 35	- 73	22	- 35	- 121	- 46	- 116	
7. Government surplus (+) or deficit (-)	- 120	77	- 79	102	- 20	- 10	142	
8. Residual error of estimate	- 88	- 107	100	51	- 44	- 118	- 54	
9. Totals	1,632	2,089	3,404	1,840	8,965	2,039	2,310	

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 8. Disposition of National Saving, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Business gross fixed capital formation	1,875	2,314	2,344	2,435	8,968	2,153	2,687	
2. New residential construction	462	451	513	595	2,021	470	524	
3. New non-residential construction	558	808	1,003	974	3,343	731	996	
4. New machinery and equipment	855	1,055	828	866	3,604	952	1,167	
5. Value of physical change in inventories	2	- 181	942	- 383	380	167	- 63	
6. Surplus (+) or deficit (-) on current account with non-residents	- 334	- 152	218	- 160	- 428	- 399	- 368	
7. Residual error of estimate	89	108	- 100	- 52	45	118	54	
8. Totals	1,632	2,089	3,404	1,840	8,965	2,039	2,310	

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	6,256	6,621	6,454	7,303	26,634	6,621	7,035	
2. Non-durable goods	3,013	3,129	3,249	3,802	13,193	3,129	3,309	
3. Durable goods	796	988	800	967	3,551	988	1,093	
4. Services	2,447	2,504	2,405	2,534	9,890	2,504	2,633	
5. Government expenditure on goods and services	1,551	1,767	1,988	1,793	7,099	1,767	1,900	
6. Business gross fixed capital formation	1,610	1,961	1,979	2,042	7,592	1,961	2,178	
7. New residential construction	383	367	411	475	1,636	367	405	
8. New non-residential construction	486	699	865	831	2,881	699	810	
9. New machinery and equipment	741	895	703	736	3,075	895	963	
10. Change in inventories	52	- 208	846	- 337	353	- 208	- 84	
11. Non-farm business inventories	297	16	161	11	485	16	70	
12. Farm inventories and grain in commercial channels	- 245	- 224	685	- 348	- 132	- 224	- 154	
13. Exports of goods and services	1,951	2,461	2,619	2,432	9,463	2,461	2,486	
14. Deduct: Imports of goods and services	- 2,151	- 2,490	- 2,351	- 2,511	- 9,503	- 2,490	- 2,715	
15. Residual error of estimate	79	96	- 89	- 46	40	96	47	
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	9,348	10,208	11,446	10,676	41,678	10,208	10,847	

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, derived by dividing the value figures in Table 2 by the constant dollar figures in Table 9, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates (millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	22,732	23,100	23,704	24,128	23,416	25,000	25,568	
2. Military pay and allowances	572	576	584	600	583	604	592	
3. Corporation profits before taxes	4,596	4,468	4,376	4,880	4,580	4,940	4,908	
4. Deduct: Dividends paid to non-residents(1)	- 684	- 588	- 680	- 788	- 685	- 708	- 700	
5. Rent, interest, and miscellaneous investment income	3,220	3,252	3,248	3,388	3,277	3,416	3,472	
6. Accrued net income of farm operators from farm production(2)	1,372	1,680	1,432	1,404	1,472	1,664	1,692	
7. Net income of non-farm unincorporated business(3)	2,548	2,584	2,624	2,592	2,587	2,632	2,764	
8. Inventory valuation adjustment	- 140	- 292	88	- 140	- 121	- 184	- 464	
9. NET NATIONAL INCOME AT FACTOR COST	34,216	34,780	35,376	36,064	35,109	37,364	37,832	
10. Indirect taxes less subsidies	6,140	6,340	6,500	6,344	6,331	6,892	7,056	
11. Capital consumption allowances and miscellaneous valuation adjustments	5,512	5,580	5,596	5,740	5,607	5,900	6,088	
12. Residual error of estimate	52	- 16	- 80	- 132	- 44	- 116	- 28	
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	45,920	46,684	47,392	48,016	47,003	50,040	50,948	
14. (Gross national product at market prices excluding accrued net income of farm operators)	(44,548)	(45,004)	(45,960)	(46,612)	(45,531)	(48,376)	(49,256)	

(1) See footnote 1, Table 1.

(2) Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

(3) Includes net income of independent professional practitioners.

TABLE 11. Gross National Expenditure, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates (million of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	28,852	29,040	29,684	30,148	29,431	30,512	31,372	
2. Government expenditure on goods and services(1, 2)	8,564	8,524	8,544	8,796	8,607	9,120	9,344	
3. Business gross fixed capital formation(3)	8,944	8,828	8,720	9,380	8,968	10,052	10,272	
4. New residential construction	2,176	1,908	1,872	2,128	2,021	2,156	2,184	
5. New non-residential construction	3,164	3,244	3,376	3,588	3,343	3,948	4,028	
6. New machinery and equipment	3,604	3,676	3,472	3,664	3,604	3,948	4,060	
7. Value of physical change in inventories	452	448	388	232	380	1,208	972	
8. Non-farm business inventories	572	616	804	48	510	944	676	
9. Farm inventories and grain in commercial channels(4)	- 120	- 168	- 416	184	- 130	264	296	
10. Exports of goods and services	9,996	10,604	10,756	10,404	10,440	10,552	10,808	
11. Deduct: Imports of goods and services	- 10,840	- 10,772	- 10,784	- 11,076	- 10,868	- 11,520	- 11,852	
12. Residual error of estimate	- 48	12	84	132	45	116	32	
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	45,920	46,684	47,392	48,016	47,003	50,040	50,948	
Detail of Farm Inventories and GICC:								
Value of grain crop production	1,132	1,132	1,136	1,132	1,133	1,444	1,444	
Depletions of farm stocks of grain	- 1,376	- 1,356	- 1,180	- 1,216	- 1,282	- 1,204	- 1,232	
Change in livestock inventories	48	136	- 40	56	50	- 40	- 4	
Grain in commercial channels	76	- 80	- 332	212	- 31	64	88	

(1) See footnote 1, Table 2.

(2) For details of defence expenditures, see line 3, Table 15.

(3) See footnote 3, Table 2.

(4) In the seasonally adjusted series, the value of grain production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 2, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 12. Source of Personal Income, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	22,732	23,100	23,704	24,128	23,416	25,000	25,568	
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 876	- 900	- 892	- 900	- 892	- 908	- 928	
3. Military pay and allowances	572	576	584	600	583	604	592	
4. Net income received by farm operators from farm production(1)	1,828	1,276	1,108	1,236	1,362	2,532	1,472	
5. Net income of non-farm unincorporated business	2,548	2,584	2,624	2,592	2,587	2,632	2,764	
6. Interest, dividends, and net rental income of persons(2)	3,688	3,708	3,788	3,856	3,760	3,880	3,892	
Transfer payments to persons:								
7. From government (excluding interest)	4,148	4,096	4,200	4,192	4,159	4,520	4,420	
8. Charitable contributions by corporations	44	44	44	44	44	44	44	
9. PERSONAL INCOME	34,684	34,484	35,160	35,748	35,019	38,304	37,824	

(1) This item differs from line 6, Table 10, by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 13. Disposition of Personal Income, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal direct taxes	3,232	3,364	3,452	3,580	3,407	3,772	3,844	
2. Income taxes	2,784	2,868	2,996	3,072	2,930	3,240	3,288	
3. Succession duties and estate taxes	164	228	156	192	185	176	196	
4. Miscellaneous	284	268	300	316	292	356	360	
5. Personal expenditure on consumer goods and services	28,852	29,040	29,684	30,148	29,431	30,512	31,372	
6. Non-durable goods	13,968	14,204	14,440	14,808	14,355	14,720	15,252	
7. Durable goods	3,588	3,464	3,712	3,468	3,558	3,712	3,808	
8. Services(1)	11,296	11,372	11,532	11,872	11,518	12,080	12,312	
9. Personal net saving	2,600	2,080	2,024	2,020	2,181	4,020	2,608	
10. PERSONAL INCOME	34,684	34,484	35,160	35,748	35,019	38,304	37,824	
11. (Personal disposable income)(2)	(31,452)	(31,120)	(31,708)	(32,168)	(31,612)	(34,532)	(33,980)	

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 14. Government Revenue, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Direct taxes - Persons	3,232	3,364	3,452	3,580	3,407	3,772	3,844	
2. Federal	2,448	2,552	2,580	2,652	2,558	2,724	2,760	
3. Provincial and municipal	784	812	872	928	849	1,048	1,084	
4. Direct taxes - Corporations	1,976	1,976	1,968	2,036	1,989	2,068	2,120	
5. Federal	1,484	1,480	1,468	1,496	1,482	1,548	1,580	
6. (Federal tax collections)	(1,392)	(1,844)	(1,500)	(1,684)	(1,605)	(1,532)	(1,968)	
7. Provincial	492	496	500	540	507	520	540	
8. (Provincial tax collections)	(424)	(524)	(488)	(508)	(486)	(540)	(568)	
Withholding taxes:								
9. Federal	132	140	140	148	140	160	176	
10. Indirect taxes	6,424	6,608	6,748	6,812	6,648	7,096	7,296	
11. Federal	2,696	2,824	2,928	2,940	2,847	3,000	3,144	
12. Provincial and municipal(1)	3,728	3,784	3,820	3,872	3,801	4,096	4,152	
13. Investment income	1,488	1,508	1,484	1,596	1,519	1,584	1,620	
14. Federal	560	524	520	584	547	556	556	
15. Provincial and municipal	928	984	964	1,012	972	1,028	1,064	
16. Employer and employee contributions to social insurance and government pension funds	876	900	892	900	892	908	928	
17. Federal	556	568	552	556	558	572	580	
18. Provincial and municipal	320	332	340	344	334	336	348	
Transfers from federal:								
19. Provincial and municipal	1,164	1,300	1,264	1,288	1,254	1,516	1,464	
20. TOTAL REVENUE	15,292	15,796	15,948	16,360	15,849	17,104	17,448	
21. FEDERAL	7,876	8,088	8,188	8,376	8,132	8,560	8,796	
22. PROVINCIAL and MUNICIPAL	7,416	7,708	7,760	7,984	7,717	8,544	8,652	

(1) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 15. Government Expenditure, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Goods and services	8,564	8,524	8,544	8,796	8,607	9,120	9,344	
2. Federal	3,160	2,996	3,016	2,996	3,042	3,216	3,148	
3. (Defence)	(1,672)	(1,544)	(1,496)	(1,496)	(1,552)	(1,648)	(1,540)	
4. Provincial and municipal	5,404	5,528	5,528	5,800	5,565	5,904	6,196	
5. Transfer payments to persons (excluding interest on the public debt)	4,148	4,096	4,200	4,192	4,159	4,520	4,420	
6. Federal	2,256	2,216	2,236	2,232	2,235	2,364	2,336	
7. Provincial and municipal	1,892	1,880	1,964	1,960	1,924	2,156	2,084	
8. Interest on the public debt	1,500	1,520	1,528	1,580	1,532	1,604	1,640	
9. Federal	984	988	992	1,016	995	1,052	1,044	
10. Provincial and municipal	516	532	536	564	537	552	596	
11. Subsidies	284	268	248	468	317	204	240	
12. Federal	248	228	208	428	278	164	200	
13. Provincial	36	40	40	40	39	40	40	
Transfers to other levels of government:								
14. Federal	1,164	1,300	1,264	1,288	1,254	1,516	1,464	
15. Total expenditure	15,660	15,708	15,784	16,324	15,869	16,964	17,108	
16. Federal	7,812	7,728	7,716	7,960	7,804	8,312	8,192	
17. Provincial and municipal	7,848	7,980	8,068	8,364	8,065	8,652	8,916	
18. Deficit (-) or surplus (+)	- 368	88	164	36	- 20	140	340	
19. Federal	64	360	472	416	328	248	604	
20. Provincial and municipal	- 432	- 272	- 308	- 380	- 348	- 108	- 264	
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	15,292	15,796	15,948	16,360	15,849	17,104	17,448	
22. FEDERAL	7,876	8,088	8,188	8,376	8,132	8,560	8,796	
23. PROVINCIAL and MUNICIPAL	7,416	7,708	7,760	7,984	7,717	8,544	8,652	

TABLE 16. Source of National Saving, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal net saving	2,600	2,080	2,024	2,020	2,181	4,020	2,608	
2. Business gross saving	6,360	7,260	6,968	7,288	6,969	6,548	7,776	
3. Undistributed corporation profits	1,304	1,276	1,048	1,380	1,252	1,516	1,468	
4. Capital consumption allowances and miscellaneous valuation adjustments	5,512	5,580	5,596	5,740	5,607	5,900	6,088	
5. Adjustment on grain transactions(1)	- 456	404	324	168	110	- 868	220	
6. Inventory valuation adjustment	- 140	- 292	88	- 140	- 121	- 184	- 464	
7. Government surplus (+) or deficit (-)	- 368	88	164	36	- 20	140	340	
8. Residual error of estimate	52	- 16	- 80	- 132	- 44	- 116	- 28	
9. Totals	8,504	9,120	9,164	9,072	8,965	10,408	10,232	

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 17. Disposition of National Saving, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Business gross fixed capital formation	8,944	8,828	8,720	9,380	8,968	10,052	10,272	
2. New residential construction	2,176	1,908	1,872	2,128	2,021	2,156	2,184	
3. New non-residential construction	3,164	3,244	3,376	3,588	3,343	3,948	4,028	
4. New machinery and equipment	3,604	3,676	3,472	3,664	3,604	3,948	4,060	
5. Value of physical change in inventories	452	448	388	232	380	1,208	972	
6. Surplus (+) or deficit (-) on current account with non-residents	- 844	- 168	- 28	- 672	- 428	- 968	- 1,044	
7. Residual error of estimate	- 48	12	84	132	45	116	32	
8. Totals	8,504	9,120	9,164	9,072	8,965	10,408	10,232	

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1964 and 1965
Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	26,252	26,316	26,812	27,156	26,634	27,384	27,904	
2. Non-durable goods	12,900	13,072	13,228	13,572	13,193	13,464	13,776	
3. Durable goods	3,564	3,444	3,716	3,480	3,551	3,716	3,800	
4. Services	9,788	9,800	9,868	10,104	9,890	10,204	10,328	
5. Government expenditure on goods and services	7,140	7,076	6,996	7,184	7,099	7,372	7,456	
6. Business gross fixed capital formation	7,684	7,476	7,360	7,848	7,592	8,248	8,316	
7. New residential construction	1,796	1,552	1,504	1,692	1,636	1,692	1,688	
8. New non-residential construction	2,764	2,808	2,904	3,048	2,881	3,288	3,280	
9. New machinery and equipment	3,124	3,116	2,952	3,108	3,075	3,268	3,348	
10. Change in inventories	444	424	336	208	353	1,140	916	
11. Non-farm business inventories	568	596	744	32	485	896	640	
12. Farm inventories and grain in commercial channels	- 124	- 172	- 408	176	- 132	244	276	
13. Exports of goods and services	9,128	9,648	9,672	9,404	9,463	9,584	9,772	
14. Deduct: Imports of goods and services	- 9,472	- 9,364	- 9,436	- 9,740	- 9,503	- 10,068	- 10,332	
15. Residual error of estimate	- 44	12	76	116	40	100	28	
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	41,132	41,588	41,816	42,176	41,678	43,760	44,060	

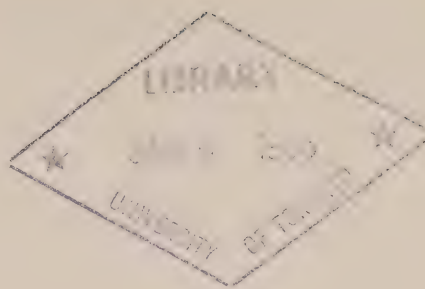
(1) See footnote 1, Table 9.

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NATIONAL ACCOUNTS
INCOME AND EXPENDITURE
(THIRD QUARTER 1965)

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In order to obtain a complete historical record of the quarterly National Accounts, the following publications should be consulted:

"National Accounts, Income and Expenditure, by Quarters, 1947-61", for the years 1947-58.

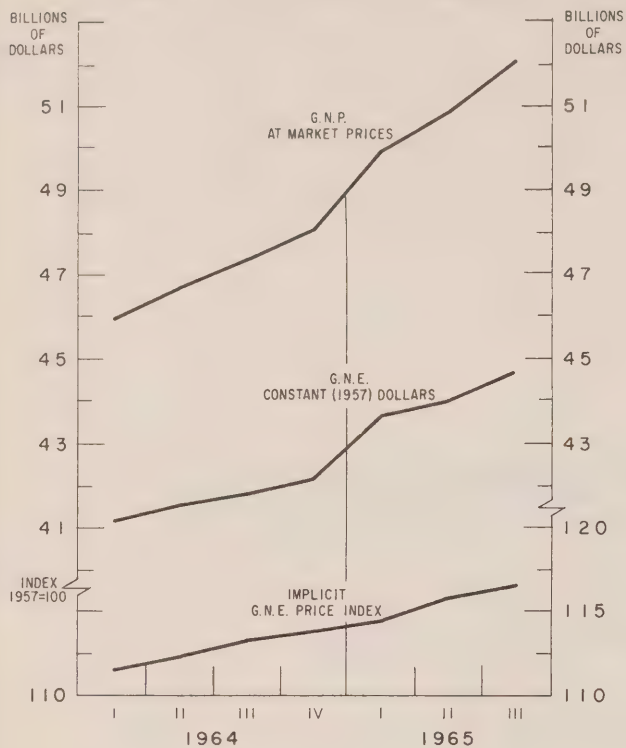
"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1963," for the year 1959.

"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1964," for the years 1960-63.

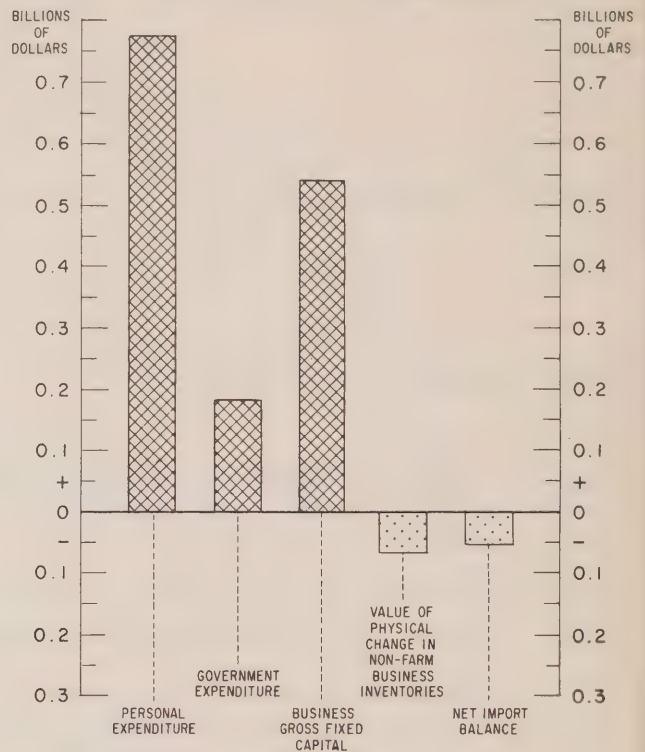
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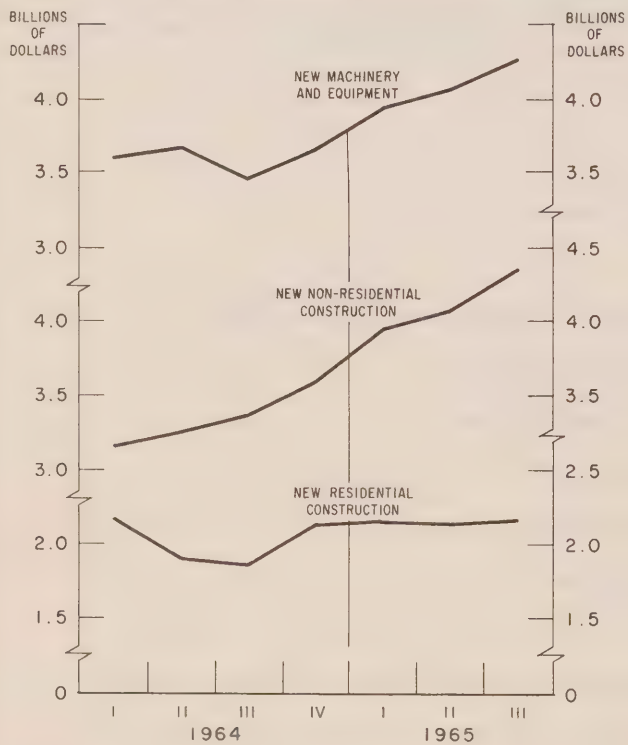
GROSS NATIONAL PRODUCT CONTINUED ITS ADVANCE AT A RATE HIGHER THAN IN THE PREVIOUS QUARTER



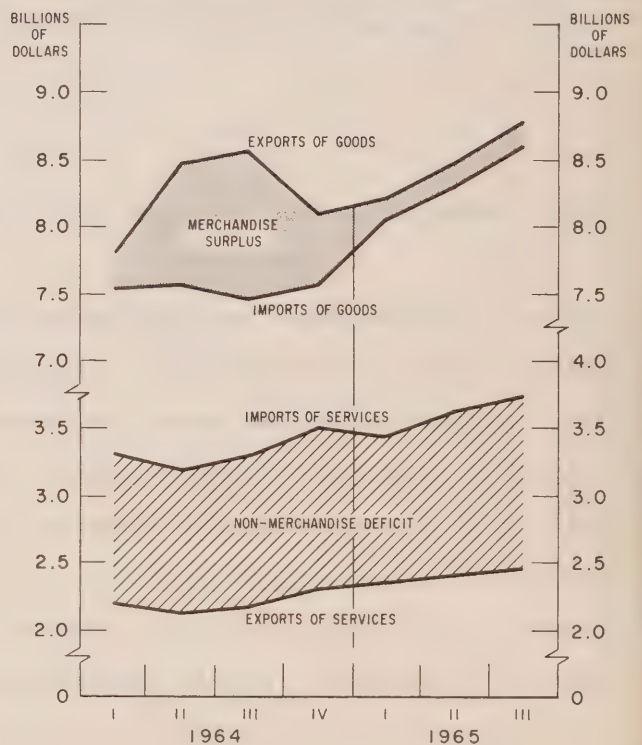
THE STRENGTH CAME MAINLY FROM HIGHER CONSUMER OUTLAYS AND FIXED CAPITAL FORMATION



FIXED CAPITAL SHOWED ONE OF THE SHARPEST INCREASES OF THE PRESENT EXPANSION



THE CURRENT ACCOUNT DEFICIT SHOWED LITTLE CHANGE AS ALL COMPONENTS OF EXTERNAL TRADE EXPANDED MODERATELY



DATA SEASONALLY ADJUSTED, ANNUAL RATES

Introductory Review

Gross National Product rose to a seasonally adjusted annual rate of \$52.1 billion in the third quarter of 1965, 2.3 per cent higher than in the preceding period. With prices up about half of one per cent, the greater part of the advance in Gross National Product represents a gain in real terms. The latest estimate of the value of production brings it 44 per cent above its cyclical low early in 1961. When the rise in prices is taken into account, the advance in volume is seen to be almost 32 per cent.

The expansion was again broadly based, with all the components of final demand contributing to the advance in the total. The demand for stock building did not add to the sharply increased value of production as the rate of accumulation was little changed from that of the previous period. Supported by another substantial rise in income, the strongest expansionary influence came from the personal sector, where the increased demand for durable goods was notable. The increment to personal spending in the third quarter of \$776 million was the second largest recorded in the course of the current expansion and not far short of the \$832 million increment of the preceding period. A further substantial addition to demand, \$524 million, came from higher outlays for plant and equipment as businessmen sharply expanded their productive capacity. There was, however, only a small gain in the value of housing put in place. Exports of goods and services continued to advance appreciably. The good third quarter performance reflects among other things initial shipments of wheat under the new contracts entered into with the U.S.S.R. early in August. As is usual in periods of high and rising demand, including heavy investment in plant and equipment, imports of goods and services rose. The deficit on current international account showed little change, moving from an annual rate of \$1,040 million in the second quarter to \$1,092 million in the third, after allowances for seasonal factors. Government expenditure on goods and services which directly affects Gross National Product rose moderately; however, transfer payments were considerably higher and as revenues from direct taxes were little more than maintained, partly as a result of a cut in personal tax rates, the combined government surplus was reduced.

The salient developments on the income side were another large increase in labour income and a moderate gain in corporate profits, following little change in the preceding period. Farm income rose sharply, partly as a result of higher profits by the Canadian Wheat Board due to renewed heavy exports of wheat.

Gross National Product in the first three quarters of 1965 was somewhat more than 9 per cent higher than in the same period of 1964. With the data now available it is possible to suggest orders of magnitude for the year 1965 as a whole. If, for instance, it is assumed that there is no change other than seasonal in the fourth quarter, Gross National Product for 1965 will show a gain from 1964 of about 9 per cent; assuming a $1\frac{1}{2}$ per cent increase in the fourth quarter, the gain will be close to $9\frac{1}{2}$ per cent.

The forces of expansion have continued to be the dominating feature of the first nine months of 1965. So far this year the profile of the economy can be distinguished by the buoyant demand for business plant and equipment which is running 20 per cent above the first nine months of last year; by the high and rising levels of consumer spending; by increased government outlays on goods and services particularly at the provincial-municipal level; and by the rising demand for foreign goods and services. However, some areas of final demand showed only moderate gains. In the field of residential construction the quarter to quarter movements have been small and to some extent offsetting, although the year as a whole so far, is running well above the comparable period last year due to a sharp rise in housing outlays at the end of 1964. Gains in exports thus far have been moderate owing to the previous high levels from which these gains must be achieved, with the result that the adverse balance on current international transactions has shown a considerable deterioration from the same period of 1964.

Percentage Change in Components of Gross National Expenditure^{1/}

	3Q 1964 to 4Q 1964 Col.(1)	4Q 1964 to 1Q 1965 Col.(2)	1Q 1965 to 2Q 1965 Col.(3)	2Q 1965 to 3Q 1965 Col.(4)	3 Quarters 1964 to 3 Quarters 1965 Col.(5)
Personal expenditure	1.6	1.2	2.7	2.5	7.2
Government expenditure	2.9	3.7	3.2	2.0	10.1
Residential construction	13.7	1.3	-0.6	0.7	8.7
Non-residential construction	6.3	10.0	2.3	7.6	27.3
Machinery and equipment	5.5	7.8	2.6	5.3	13.4
Exports	-3.3	1.4	3.2	3.2	4.5
Total final demand	1.8	2.6	2.7	3.0	8.8
Inventories	-156M	+844M	-140M	-500M	+442M
(Business only)	-756M	+896M	-176M	-68M	+229M
Imports	2.7	4.0	3.6	3.4	10.7
Gross National Expenditure (value)	1.3	4.2	1.9	2.3	9.3
Volume component	0.9	3.5	0.8	1.5	6.3

^{1/}All comparisons except 3 Quarters 1964 to 3 Quarters 1965 are based on data seasonally adjusted at annual rates.

Percentage Changes in Major Income Components^{1/}

	3Q 1964 to 4Q 1964 Col.(1)	4Q 1964 to 1Q 1965 Col.(2)	1Q 1965 to 2Q 1965 Col.(3)	2Q 1965 to 3Q 1965 Col.(4)	3 Quarters 1964 to 3 Quarters 1965 Col.(5)
Wages, salaries and supplementary labour income	1.8	3.6	2.4	2.7	10.5
Transfer payments	-0.2	7.8	-2.7	5.3	9.2
Personal income	1.7	6.8	-1.4	3.7	9.9
Corporation profits (before dividends paid abroad)	11.5	1.2	-0.6	2.9	7.5
Rent, interest and miscellaneous investment income	4.3	0.8	2.7	-0.1	7.4
Net income of non-farm unincorporated business	-1.2	1.5	5.0	1.7	5.9
Net national income at factor cost	1.9	3.2	1.3	3.2	8.8

Selected Government Revenues
(All levels of Government)

Direct personal taxes	3.7	5.4	2.7	1.1	15.2
Corporation tax liabilities	3.5	1.6	2.5	1.3	7.3
Indirect taxes	0.9	4.2	2.9	3.3	11.0

^{1/}All comparisons except 3 Quarters 1964 to 3 Quarters 1965 are based on data seasonally adjusted at annual rates.

The vigour of the expansion has given rise to substantially higher levels of personal income, resulting partly from the rapidly increasing employment opportunities. The total number of employed rose by 3 per cent from September 1964 to the same month of this year and the unemployment rate of 3.6 per cent seasonally adjusted in September was the lowest experienced since 1956.

The impact of the increased demand on production has been noted particularly in the output of motor vehicles and parts, most iron and steel product industries, electric power and gas utilities and the construction industry.

The implicit price index of Gross National Expenditure in the first three quarters of this year stood just under 3 per cent above the same period last year, while the consumer price index was more than $2\frac{1}{2}$ per cent higher in September than a year ago. While this movement was in part a reflection of special factors including the removal of the final 3 per cent of the exemption from sales taxes of production machinery and building materials and the sharp rise in food prices it was also in part a response to the high and rising level of activity.

Developments in the Third Quarter

Personal Expenditure

Personal expenditure on goods and services reached a level of \$32.1 billion seasonally adjusted at annual rates, an increase of $2\frac{1}{2}$ per cent over the second quarter. Most of this gain represented a real increase in consumption; a less than one half per cent price increase indicated a continuation of the rapid real gains in personal consumption recorded in the second quarter. Commodity prices, on average, showed little advance from the preceding quarter, while the services price index increased by about 1 per cent.

As in the second quarter the annual rate of expenditure on goods accounted for almost three quarters, or \$568 million, of the total increase of \$776 million in consumer spending; in contrast to the preceding quarter, the increase in demand for durables was considerably stronger than for non-durables. Spending on goods increased by 3 per cent and on services by less than 2 per cent; in the goods sector, the demand for durables rose a sharp 8 per cent, against a $2\frac{1}{2}$ per cent increase last quarter, while non-durables were less than 2 per cent above the previous period, when they rose by $3\frac{1}{2}$ per cent.

The strength in consumer spending on durables was widespread as new and used car purchases rose over 11 per cent, accounting for over \$200 million of the additional spending in the quarter, and all other durables showed increases, some rising rather sharply above their performances in the two preceding quarters; home furnishings were up by $4\frac{1}{2}$ per cent, appliances and radios by 7 per cent, and jewellery and watches also by 7 per cent.

Unlike the preceding quarter when a notable increase in purchases of foodstuffs occurred, the third quarter was marked by increased clothing purchases; total clothing was up by over 4 per cent (as against 2 per cent in the previous quarter) and men's clothing in particular gained sharply, by $5\frac{1}{2}$ per cent. Food gained only slightly from its strong second quarter showing, while alcohol, for which demand had been strong in earlier periods, was almost unchanged. Thus the gains in non-durables were unevenly distributed in the third quarter, unlike the widespread strength in the previous quarter.

Nearly all service components increased in the 1 per cent to 2 per cent range. Purchased transport, which had risen sharply in the last quarter, gained about 1 per cent; outlays on shelter were higher by $1\frac{1}{2}$ per cent, while household operations were up by just over 2 per cent, a lesser gain than previously. Expenditures on personal services and personal care each increased by nearly 2 per cent and were noticeably stronger than in the last quarter. In general, increases were widespread and moderate for all service components.

Business Fixed Capital Formation

Business fixed capital formation, including residential construction, rose 5 per cent from the second to third quarter to reach an annual rate of \$10,776 million after allowance for seasonal factors. The estimated increase of \$540 million came almost entirely from the strength in business demand for plant and equipment, housing being little changed. The increase in capital outlays continued to raise the proportion of production being devoted to fixed capital; at about 21 per cent it is well above the low point of 17 per cent recorded in the current expansion, but still some way below the high of almost 24 per cent which was recorded during the investment boom of 1956-57.

Quarter to Quarter Changes in Final Purchases
(Seasonally Adjusted at Annual Rates)
(millions of dollars)

	1Q'62 to 2Q'62	2Q'62 to 3Q'62	3Q'62 to 4Q'62	4Q'62 to 1Q'63	1Q'63 to 2Q'63	2Q'63 to 3Q'63	3Q'63 to 4Q'63	4Q'63 to 1Q'64	1Q'64 to 2Q'64	2Q'64 to 3Q'64	3Q'64 to 4Q'64	4Q'64 to 1Q'65	1Q'65 to 2Q'65	2Q'65 to 3Q'65
1. Personal expenditure	148	116	528	340	396	492	516	704	188	644	464	364	832	776
2. Government expenditure	372	- 144	60	204	- 96	228	8	444	- 40	20	252	324	292	184
3. Residential construction	40	24	- 20	12	72	64	100	344	- 268	- 36	256	28	- 12	16
4. Non-residential construction ...	- 80	- 48	24	28	224	16	76	208	80	132	212	360	92	308
5. Machinery and equipment	80	136	68	- 8	104	112	156	356	72	- 204	192	284	104	216
6. Exports of goods and services ..	224	116	84	176	348	40	736	260	608	152	- 352	148	340	352
7. Total final purchases	784	200	744	752	1,048	952	1,592	2,316	640	708	1,024	1,508	1,648	1,852
8. (Final domestic demand)	560	84	660	576	700	912	856	2,056	32	556	1,376	1,360	1,308	1,500

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in non-farm business inventories	- 88	340	- 612	160	- 316	380	252	72	44	188	- 756	896	- 176	- 68
10. Imports of goods and services ..	404	- 48	- 436	304	212	432	360	700	- 68	12	292	444	412	404
11. G.N.P. (ex. farm)	404	628	648	476	412	872	1,080	1,744	456	956	652	1,764	940	1,028

Constant (1957) Dollars

Quarter to Quarter Percentage Changes in Select Items

12. Final domestic demand	0.8	- 0.2	1.1	0.8	1.2	1.5	1.5	4.0	- 0.5	0.7	2.5	1.9	1.6	2.5
13. Total final purchases	1.0	-	1.1	1.0	1.7	1.3	2.5	3.7	0.6	0.6	1.5	1.9	1.8	2.4
14. Gross national expenditure	0.2	1.3	1.2	1.2	0.5	1.7	2.2	2.4	1.1	0.5	0.9	3.5	0.8	1.5

Business outlays on plant and machinery amounted to an annual rate of \$8,616 million, or 6½ per cent above the second quarter. Expenditures on non-residential construction climbed 7½ per cent to \$4,348 million, while those on machinery and equipment rose over 5 per cent to \$4,268 million. The strength in non-residential construction appears to be more dominant in engineering construction than in work on buildings and structures. While no final breakdown of this investment in machinery and equipment is available it is evident that the higher level in the third quarter called forth increases from both domestic and foreign suppliers.

The value of housing put in place climbed by just over one-half per cent to an annual rate of \$2,160 million in the third quarter. Housing starts edged upward from 173,900 to 175,600 at adjusted annual rates, while completions dropped from 168,200 to 142,900 after allowing for seasonal changes. Urban single-detached dwellings increased during the quarter in contrast to a drop in apartment and other multiple dwellings. As noted in earlier reports, the seasonal adjustment of many series connected with housing presents difficult problems due to changing seasonal patterns of house-building activity. Loans under the winter house-building incentive programme were made available from September 15, and an earlier announcement than in previous years of direct lending by Central Mortgage and Housing Corporation in support of this programme, induced a significantly larger number of applications for NHA loans in September than in the same month of last year.

Investment in Non-farm Business Inventories

Business inventory accumulation continued in the third quarter at an annual rate of \$700 million after allowance is made for seasonal variation. This compares with a rate of accumulation of \$944 million in the first quarter of this year, and \$768 million in the second quarter.

All the major industry groups contributed to the build up of stocks, with retail trade and manufacturing showing the largest gains. Retail trade contributed a little less than one half of the total stock accumulation and manufacturing more than one third. The following table shows the value of physical change in non-farm business inventories in the first, second and third quarters of 1965, by industry:

Change in Non-farm Business Inventories (Seasonally adjusted at annual rates)

	1965		
	1st Q	2nd Q	3rd Q
	(millions of dollars)		
Manufacturing	540	308	256
Durables	308	300	240
Non-durables	232	8	16
Wholesale	84	148	92
Retail	204	216	332
"Other" Industries	116	96	20
Grand Total	944	768	700

Manufacturers' total stocks increased in the third quarter but at a lower rate than in the previous quarter. As in the second quarter, almost all the stock building took place in the hands of manufacturers of durable goods, primarily due to an accumulation in stocks of primary metal, metal fabricating, machinery and electrical products producing industries. Inventory movements of non-durable goods exerted a moderating influence on the pace of accumulation of total manufacturers' stocks, as mixed movements within the industrial groups resulted in almost no change in investment in the stocks of the non-durable group. Additions to stocks took place at all stages of production, the highest being in the stocks of raw materials. The stock-to-shipments ratio increased, but without bringing it above the average of the current expansion.

Inventories in wholesale trade increased at a lower rate compared to the previous quarter. While there was a widespread accumulation in the stocks of non-durable goods, durable goods showed a mixed movement which resulted in a very small accumulation.

The build up of stocks in the hands of retailers continued at a higher rate in the third quarter, mainly as a result of the increased rate of accumulation of non-durable goods; however, stock accumulation was widespread in both durable and non-durable goods. A major part of the inventory investment in durable goods resulted from the higher level of stocks of motor vehicles dealers. The non-durable accumulation may have reflected in part the slower rate of growth of consumer spending on non-durable goods in the third quarter.

Exports and Imports of Goods and Services

The deficit in the external account at a seasonally adjusted annual rate of \$1,092 million was little changed from the previous quarter. The increase of \$52 million at annual rates resulted mainly from a higher adverse balance on non-merchandise account; the surplus arising from merchandise trade remained almost unchanged as both exports and imports of goods rose $3\frac{1}{2}$ per cent to annual rates of \$8,784 million and \$8,600 million respectively.

Exports and Imports of Goods and Services (Seasonally adjusted at annual rates)

	Goods			Services			Current Balance
	Exports	Imports	Net	Exports	Imports	Net	
	(millions of dollars)						
1964-1	7,804	7,528	276	2,192	3,312	-1,120	-844
2	8,480	7,572	908	2,124	3,200	-1,076	-168
3	8,572	7,476	1,096	2,184	3,308	-1,124	- 28
4	8,096	7,576	520	2,308	3,500	-1,192	-672
1965-1	8,204	8,068	136	2,348	3,452	-1,104	-968
2	8,488	8,312	176 ^{1/}	2,404	3,620	-1,216	-1,040
3	8,784	8,600	184 ^{1/}	2,460	3,736	-1,276	-1,092
4							
2/65 to	3.5	3.5		2.3	3.2		
3/65 (per cent change)							

^{1/} Adjustments to Trade of Canada figures for National Accounts purposes increased exports and reduced imports in both the second and third quarters, thereby enlarging the surplus on merchandise trade. Details of adjustments appear in the third quarter estimates of the Canadian Balance of International Payments.

After allowance for seasonal factors, sales abroad were higher for wheat, nickel and copper, crude petroleum, asbestos and fertilizers, lumber, and fish and its products, while declines were experienced in aluminum, iron ore and zinc. Data on commodity imports are not yet available.

Overall export gains were made primarily in markets outside the United States and the United Kingdom. However, suppliers in these two countries accounted for most of the increase in Canadian imports.

A larger deficit in the miscellaneous service account (personal remittances, official contributions, business services) was the main element in the change in non-merchandise trade.

The Government Sector

At seasonally adjusted annual rates, the surplus on a National Accounts basis of all governments combined declined to a rate of \$224 million in the third quarter from the second quarter rate of \$388 million. The decline can be accounted for by a widening of the provincial-municipal deficit as the increase in expenditures was more than double that in revenues. The surplus at the federal level remained virtually unchanged.

Total revenue of all governments combined rose to a level of \$17,656 million an increase of \$144 million from the previous quarter. Revenues from indirect taxes continued to rise substantially during the quarter. However, total personal direct tax revenues increased marginally as federal receipts declined by about 5 per cent, a consequence of the reduction in federal personal income tax rates which went into effect at the beginning of July. Changes were small and offsetting in the other revenue components.^{1/}

Expenditures of all governments combined reached a level of \$17,432 million, an increase of \$308 million from the previous quarter and more than double the increase in revenues. The bulk of the increases occurred at the provincial-municipal level and resulted mainly from larger grants to hospitals, educational, and welfare-type institutions. Expenditures on goods and services at this level remained almost unchanged from the second quarter with increased provincial outlays offsetting a decline in spending by municipal governments.

Total outlays of the federal government rose by less than 1 per cent, the result of offsetting movements in expenditures on goods and services and transfers to other levels of government. Increased international aid payments and salaries and wages were factors in the sharp rise in non-defensive outlays on goods and services; the level of defence expenditures was unchanged. Payments to other levels of government declined, in part a reflection of the arrangements for provincial opting-out of certain federal-provincial shared cost programmes.

Price Movements in Third Quarter

Price increases were evident in most areas in the third quarter, although their overall effect was less pronounced than in the previous quarter. Significant changes appear to have occurred largely in service purchases made by consumers and in certain classes of exports. As noted earlier, higher prices accounted for approximately one quarter of the increase in the value of production, implying a price rise in Gross National Expenditure of between one half and three quarters per cent. The implicit price index for Gross National Expenditure noted above excludes the effect of movements in farm inventories and grain in commercial channels which unduly influenced the overall implicit price index. During the same period the widely used consumer price index which is not adjusted for seasonal movements, rose by close to three quarters of one per cent. It may be noted that in the first two months of the fourth quarter, the movements of the index suggest a sharp rise, particularly for the food component.

^{1/} The series for corporation direct tax collections by the federal government which is published as supplementary information in the government revenue table, has displayed a marked change in the seasonal pattern in 1964 and 1965 due to the accelerated collection programme introduced in the federal budget in June, 1963. Until the series settles into the newly established quarterly pattern, movements which may eventually emerge as the new pattern have been treated as random movements.

The price component of personal expenditure advanced by under one half per cent, mainly as a result of a one per cent increase in the prices of services. Prices of major durable goods purchased declined fractionally over the period; only slight increases were recorded for non-durable goods, following the rather sharp increase, due particularly to higher food prices, which was experienced in the previous quarter.

Price increases in the construction field appear to have been under one half per cent and were attributable mainly to higher wage rates, the indexes of prices of residential and non-residential building materials showing little change between the second and third quarters.

Export prices on average showed a greater increase than in the previous quarter, largely as a result of higher world prices for certain non-ferrous metals; animal product prices rose sharply.

Income Flows

Wages, salaries and supplementary labour income rose by over $2\frac{1}{2}$ per cent in the third quarter, a gain similar to those recorded in the previous quarters of the year. The gains were maintained partly as a result of retroactive payments. The rate of advance was higher in the service than in the goods-producing industries.

Total wages and salaries for the service-producing industries increased by 3 per cent with the increases by industry ranging from just over 2 per cent in trade to almost 4 per cent in government service. The higher than usual rises in government service and transportation, communication and other utilities were in part due to retroactive wage payments to federal and provincial employees and to postal workers.

Wage and salary payments in the goods-producing industries rose by $2\frac{1}{2}$ per cent in the quarter. The construction and manufacturing industries recorded gains of 5 and 2 per cent respectively, reflecting in part higher levels of employment. Wages and salaries in the primary industries showed little change.

Corporation profits (before taxes and before dividends paid to non-residents) rose by almost 3 per cent over the previous quarter and seasonally adjusted at annual rates exceeded the \$5 billion mark. Despite considerably higher levels of production, total manufacturing industries profits showed very little change as a result of offsetting movements; within this total, profits were notably higher in the wood and metal industries but declines were recorded by the paper and petroleum and coal industries. The overall increase was mainly attributable to higher profits in the mining, quarrying and oil wells, retail trade and finance industries. The ratio of profits before taxes to total output showed little change from that obtaining in the first half of the year.

Accrued net income of farm operators from farm production increased to a seasonally adjusted annual rate of \$1,712 million in the third quarter, $9\frac{1}{2}$ per cent above the second quarter rate. Higher levels of both grain and livestock production were responsible for the rise. The increase in the value of grain production was due mainly to larger profits of the Canadian Wheat Board, reflecting sharply increased grain exports during the quarter. The increase in the value of livestock production reflected higher receipts from sales as both the number of animals marketed and prices rose substantially.

It may be noted that the estimate of the new crop contained in this publication has been revised downward by \$128 million from that published in the second quarter report. The cool, wet weather in many parts of Canada from mid-August to the end of September, hampered harvesting operations and caused considerable reduction in yields, thus reducing the earlier record harvest prospects.

Production by Industry

Seasonally adjusted real domestic product less agriculture for the third quarter of 1965 was 1.7 per cent higher than in the preceding quarter, and about 30 per cent above its first quarter 1961 cyclical trough. Most of the strength in the third quarter came from manufacturing, transportation, and trade, which together accounted for about three-quarters of the gain. Increases were widespread among the other industry groups as well, with only forestry showing a decline in the quarter.

Manufacturing, with a $2\frac{1}{2}$ per cent increase, was the largest single contributor to the third quarter gain, accounting for over 40 per cent of the increase in non-agricultural real output. Both the durable and the non-durable components of manufacturing increased by $2\frac{1}{2}$ per cent, thus contributing about equally to the third quarter gain.

Within non-durables, the textiles and chemicals groups showed the largest increases, 7 per cent and 4 per cent, respectively. Together these two groups accounted for over one-half of the third quarter increase in non-durable manufacturing output. The next largest contributors were the foods and beverages and the paper products groups.

Within durables, almost all of the increase came from a 4 per cent gain in iron and steel products and a 5 per cent advance in the production of transportation equipment. Motor vehicles and parts production accounted for the entire gain in the latter group, as small gains in the other components were offset by a 3 per cent decline in shipbuilding. In the case of the iron and steel group, most components contributed to the gain. Among the other major groups, increases of 4 and 1 per cent were recorded by non-metallic mineral products and non-ferrous metal products, respectively, while the wood products and the electrical apparatus and supplies groups showed small declines in the third quarter.

The next largest contributions to the gain in total non-agricultural real output came from the transportation, storage and communication group, which advanced by 3 per cent, and from trade, which was up 2 per cent in the third quarter. Jointly these two groups accounted for another one-third of the aggregate gain. Within transportation, increases ranging from $2\frac{1}{2}$ to 7 per cent were recorded by most major components, among them railway transport and shipping. The larger part of the increase in trade came from increased retail sales by motor vehicle dealers, department stores and clothing stores. Movements within wholesale trade were mixed. Among the wholesale trades recording fairly strong gains were groceries and food specialties and meat and dairy products.

Forestry was the only major industry grouping to show a decline in the third quarter. This decline was attributable largely to a drop in pulpwood production from very high second quarter levels. The remaining industry groupings recorded increases ranging from one-half of one per cent in public administration and defence to 3 per cent in electric power and gas utilities.

Developments in the First Three Quarters of 1965

The Demand Components

Consumer expenditure for the first three quarters of 1965 was over 7 per cent higher than for the corresponding period of 1964, and virtually matched the rate of increase between the years 1963 and 1964; of this increase, 2 per cent was attributable to prices. Goods and services showed no change in the rate of increase for the two periods, but a breakdown of the goods component showed non-durables increasing more and durables less than between 1963 and 1964.

The following table shows the pattern of increases in consumer purchasing in the first three quarters of this year compared with the same period of 1964 in relation to the changes between 1963 and 1964.

	Year 1963 to Year 1964 Per cent Change	3 Quarters 1964 to 3 Quarters 1965 Per cent Change
Total Non-durable goods	6.3	6.6
Food and tobacco	4.7	5.7
Clothing	6.3	5.6
Other	8.9	8.7
Total Durable goods	10.4	8.2
Autos, new and used	11.5	9.5
Household durables	8.7	6.9
Other	11.5	8.2
Total all goods	7.1	6.9
Total services	7.8	7.6
Total consumer expenditure	7.3	7.2

The sizeable increase in personal spending was exceeded by the increased income flow to consumers with a resulting higher level of personal net saving in 1965.

Business spending on fixed capital including housing, was higher by almost 17½ per cent than the three quarters of 1964, slightly lower than the 19 per cent increase for the full year anticipated in the mid-year survey of investment plans. The main element of strength was the demand for non-residential construction which was 27 per cent higher than the comparable period of last year. Spending on housing was up 8½ per cent and on machinery and equipment up about 13½ per cent. This distribution differs from the survey where anticipated increases in outlays for housing and machinery were greater and for non-residential construction lower. Although industrial detail is not available the mid-year survey suggests that the main strength is centred in manufacturing and utilities.

The increased pressure for expansion of productive facilities gave rise to very sharp increases in employment in the construction field, and to wage rate increases in engineering type construction. In line with investment in machinery, domestic industries mainly producing machinery recorded good gains over the year and imports of machinery in the first seven months were appreciably higher than in the comparable 1964 period.

In the first nine months of 1965 business inventory investment increased by \$730 million, compared with a \$501 million increase in the same period of 1964. Inventory investment was maintained at a moderately high rate throughout 1964 and 1965, with the exception of the fourth quarter of last year, when the work stoppage in the automobile industry caused some unusual stock movements. The increase in inventories as a proportion of the total level of stocks appears to be closely linked to increases in the value of production, and no sharp fluctuations have been experienced in the relationship of stocks to output, which is still at a comparatively low level.

The main strength in the first nine months of 1965 came from the durable goods held by manufacturers and retail traders. Increases in wholesale trade were moderate.

During the first three quarters of 1965 the deficit in the external account on a National Accounts basis widened to \$773 million from \$268 million in the same period of the previous year. This change of \$505 million came from a deterioration of \$459 million in merchandise trade, reinforced to the extent of \$46 million by a larger deficit in non-merchandise trade. The decrease in the export trade balance was the result of rapidly increasing imports associated with record levels of income and expenditure in the domestic economy and only moderate gains in overall exports of goods. A sharp drop which occurred in shipments of wheat as previous contracts came to completion largely offset sizeable gains in exports of motor vehicles and parts, non-ferrous metallic ores and alloys and wood pulp and newsprint. Details on commodity imports for the first seven months of this year compared with a similar period in 1964 showed larger imports of motor vehicles and parts, machinery, metal and chemical fabricated materials.

Some improvement in the travel account failed to balance further declines in the other service accounts.

Exports and Imports of Goods and Services
(not seasonally adjusted)

	Goods			Services			Current Balance
	Exports	Imports	Net	Exports	Imports	Net	
	(millions of dollars)						
3 Quarters							
1964	6,110	5,572	538	1,640	2,446	-806	-268
1965	6,276	6,197	79	1,825	2,667	-852	-773
Per cent change	2.7	11.2		11.3	9.4		

Merchandise Trade
(Trade of Canada basis)

	<u>Domestic Exports</u>			<u>Imports</u>		
	9 months			7 months		
	1964	1965		1964	1965	
	\$ million		%	\$ million		%
Live animals	21	43	104.8	13	6	-53.8
Food, feed, beverages, tobacco ^{1/}	1,381	1,034	-25.1	446	400	-10.3
Inedible crude materials	1,177	1,283	9.0	534	543	1.7
- Metals	589	636	8.0	93	108	16.2
Inedible fabricated materials	2,600	2,750	5.8	1,023	1,168	14.2
- Lumber and wood	449	452	0.7	38	39	2.6
- Pulp, paper, allied	995	1,053	5.8	37	41	10.8
- Chemicals, allied	221	235	6.3	232	256	10.3
- Metals and metal products	809	872	7.8	329	416	26.4
Inedible end products	807	929	15.1	2,221	2,529	13.9
- Machinery	211	246	16.6	754	806	6.9
- Transportation, communication equipment ^{2/}	382	460	20.4	710	903	27.2
- Other equipment, tools	127	129	1.6	364	395	8.5
- Personal, household goods	36	36	-	162	171	5.6
- Miscellaneous	51	59	15.7	231	254	10.0
Special trade transactions	18	18	-	102	157	53.9
Total	6,005	6,058	0.9	4,340	4,804	10.7
^{1/} Wheat clearances	780	556	-28.7			
^{2/} Before allowance for progress payments and deliveries.						

The Government Sector

Comparing the first nine months of 1965 with the corresponding period of the previous year, total revenues of all governments combined exceeded total expenditures, with the result that, on a National Accounts basis, there was a shift from a deficit of \$122 million in 1964 to a surplus of \$67 million in 1965. The bulk of the gain occurred at the federal level where the surplus rose from \$73 million to \$245 million. At the provincial-municipal level, the deficit narrowed slightly from \$200 million in the first three quarters of 1964 to \$178 million in the first three quarters of this year.

Reflecting the continuing high levels of income and employment, total revenues of all governments combined increased over 11 per cent. Receipts from indirect taxes rose sharply and accounted for a large part of the gain. The increase in federal indirect tax revenues was in part a consequence of the final stage of the imposition of the sales tax on production machinery and building materials. Indirect tax revenues of provincial and municipal governments rose 10 per cent, mainly attributable to larger returns from sales and gasoline taxes and increased real property tax revenue.

Revenues from direct taxes also rose substantially, but the rate of increase at the provincial-municipal level was much higher than at the federal level. The differing rates of increase are in part a reflection of an increased abatement in favour of the provinces of personal income tax from 18 per cent to 21 per cent and of estate taxes from 50 per cent to 75 per cent and of the lower federal personal income tax rates which came into effect as of the first of July, 1965.

Total expenditures of all levels of government combined increased by $9\frac{1}{2}$ per cent, with most of the increase accounted for by advances in expenditures on goods and services and in transfer payments to persons, principally at the provincial-municipal level. Expenditures on goods and services by provincial and municipal governments rose by about 12 per cent mainly owing to increases in salaries and wages and in capital outlays. Expenditure on goods and services by the federal government rose by 7 per cent with most of the increase occurring in non-defence outlays.

There was a rise of just over 9 per cent in transfer payments to persons from all governments combined. The major gain occurred in payments made by the provincial and municipal governments, particularly to hospitals, educational and similar institutions.

Price Movements

With the price component of gross national product advancing by close to 3 per cent between the first nine months of 1964 and 1965, somewhat more of an overall price increase is indicated for this year than the close to $2\frac{1}{2}$ per cent change recorded for the preceding year.

With the exception of exports, prices of all final demand categories advanced more in 1965 than in 1964. The price component of consumer expenditures, increasing by 2 per cent, reflected increases of over 3 per cent in service prices, while non-durable goods prices increased by close to 2 per cent and durable goods prices were virtually unchanged. Prices of non-food commodities, increasing by about 1 per cent, showed approximately the same increase between 1964 and 1965 as between 1963 and 1964. Industry selling price indexes for non-food final products of manufacturing also indicate that there has been little price change for these commodities.

The price component of fixed capital reflected increases resulting from a mix of changes in sales tax, material prices and wage rates.

The relative stability in export prices in the nine months comparison reflected offsetting movements in the prices of the food, fuel, beverages and tobacco groups as compared with all other merchandise exports groups. Prices of the food group declined by over 2 per cent in this comparison, largely because of a decrease in wheat export prices, at the beginning of 1965. Prices of all other merchandise exports increased by about 1 per cent.

Per cent changes - Implicit Price Indexes

	2nd Quarter 1965 to 3rd Quarter 1965	3 Quarters 1964 to 3 Quarters 1965 ^{1/}	Year 1963 to Year 1964 ^{1/}
Personal expenditure	0.3	2.0	1.5
Durable goods	-0.3	-0.1	-1.1
Non-durable goods	0.3	1.7	1.7
Services	0.9	3.3	2.2
Government expenditure	0.7	3.7	2.6
Gross fixed capital formation	0.3	4.7	3.6
New residential construction	0.2	5.1	5.7
New non-residential construction	0.8	6.1	2.7
New machinery and equipment	0.1	3.5	3.2
Exports of goods and services	1.3	0.8	2.3
Imports of goods and services	0.3	0.1	1.7
Gross National Expenditure	0.62 ^{2/}	2.9	2.3

^{1/}Based on data unadjusted for seasonality.

^{2/}The index for the second-to-third quarter comparison is based on Gross National Expenditure exclusive of farm inventories and grain in commercial channels.

Income Flows

Data for the first nine months of 1965 compared with the first nine months of 1964 showed a 10½ per cent increase in labour income. Much the largest increase by industry, about 22 per cent, was in construction, reflecting the great strength in non-residential building and engineering and the substantial expansion in housing. The increase for manufacturing, which is the largest industry in the goods-producing group, was over 9 per cent. Gains of 13 per cent and 10 per cent were recorded in the service and trade industries respectively. However, gains in the remaining goods-producing industries were larger than those in the rest of the service-producing industries, and as a result the overall rise for goods-producing industries (11½ per cent) was slightly higher than that for service-producing industries (10 per cent).

profits in
The unusually high level of the fourth quarter 1964 and the increase in the third quarter this year contributed to the gain of 7½ per cent of the first three quarters of 1965 from the same period last year. Although higher profits were general, among the leading industries were mining, quarrying and oil wells, food and beverages, non-metallic mineral products, communication, utilities, wholesale and retail trade, services and other non-manufacturing industries.

Accrued net income of farm operators rose 7½ per cent in the first nine months of the year compared to the same period last year. Much of the increase can be attributed to the value of the 1965 crop, estimated to be 15½ per cent higher than the 1964 value and the third largest on record. Higher levels for the value of livestock production and greater returns from the sales of other farm products, such as dairy products and potatoes, also contributed to the increase. Partly offsetting these rises were increased farm operating expenses and considerably lower Canadian Wheat Board profits which reflected the sharp decline in the level of grain exports from the record level obtained last year.

Net income of non-farm unincorporated business in the first nine months of 1965 was about , 6 per cent higher than in the same period of 1964. A rise in the net income in retail trade industry was the largest and contributed more than half to the total increase.

Production by Industry

Real domestic product less agriculture for the first nine months of 1965 was more than 6 per cent higher than in the corresponding period of 1964. About one-third of this increase was contributed by the 7 per cent gain in manufacturing output. The durable manufacturing component in particular showed a strong gain of 9 per cent, largely as a result of increases of up to 15 per cent in the production of motor vehicles and parts and most of the iron and steel product industries. Increases of 10 and 11 per cent respectively were recorded by electric power and gas utilities and construction, followed by a 9 per cent increase in wholesale trade and a $7\frac{1}{2}$ per cent advance in transportation. Retail trade, mining, non-durable manufacturing, and the communication industry group showed gains ranging from 5 to 7 per cent. Lesser gains were shown by almost all the other industry groups. The post-war average rates of increases were thus exceeded in most major industry groupings.

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income ..	5,479	5,804	6,070	6,063	23,416	6,024	6,429	6,729
2. Military pay and allowances	140	150	147	146	583	145	153	149
3. Corporation profits before taxes	941	1,238	1,141	1,260	4,580	1,003	1,318	1,249
4. Deduct: Dividends paid to non-residents(1)	- 171	- 126	- 141	- 247	- 685	- 177	- 156	- 162
5. Rent, interest, and miscellaneous investment income	789	789	802	897	3,277	839	852	865
6. Accrued net income of farm operators from farm production(2)	11	187	1,118	156	1,472	1	108	1,307
7. Net income of non-farm unincorporated business(3)	545	652	627	763	2,587	559	699	674
8. Inventory valuation adjustment(4)	- 35	- 73	22	- 35	- 121	- 46	- 112	- 59
9. NET NATIONAL INCOME AT FACTOR COST	7,699	8,621	9,786	9,003	35,109	8,348	9,291	10,752
10. Indirect taxes less subsidies	1,502	1,587	1,631	1,611	6,331	1,687	1,769	1,829
11. Capital consumption allowances and miscellaneous valuation adjustments	1,331	1,410	1,386	1,480	5,607	1,445	1,564	1,510
12. Residual error of estimate	- 88	- 107	100	51	- 44	- 118	- 45	80
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	10,444	11,511	12,903	12,145	47,003	11,362	12,579	14,171
14. (Gross national product at market prices excluding accrued net income of farm operators)	(10,433)	(11,324)	(11,785)	(11,989)	(45,531)	(11,361)	(12,471)	(12,864)

(1) Includes the withholding tax applicable to this item.

(2) Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

(3) Includes net income of independent professional practitioners.

(4) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	6,863	7,294	7,181	8,093	29,431	7,235	7,895	7,751
2. Government expenditure on goods and services(1, 2)	1,949	2,128	2,318	2,212	8,607	2,088	2,378	2,577
3. Business gross fixed capital formation(3)	1,875	2,314	2,344	2,435	8,968	2,153	2,677	2,842
4. New residential construction	462	451	513	595	2,021	470	522	558
5. New non-residential construction	558	808	1,003	974	3,343	731	1,000	1,285
6. New machinery and equipment	855	1,055	828	866	3,604	952	1,155	999
7. Value of physical change in inventories(4)	2	- 181	942	- 383	380	167	- 44	1,082
8. Non-farm business inventories	288	11	202	9	510	469	80	181
9. Farm inventories and grain in commercial channels	- 286	- 192	740	- 392	- 130	- 302	- 124	901
10. Exports of goods and services	2,129	2,714	2,907	2,690	10,440	2,258	2,759	3,084
11. Deduct: Imports of goods and services	- 2,463	- 2,866	- 2,689	- 2,850	- 10,868	- 2,657	- 3,132	- 3,085
12. Residual error of estimate	89	108	- 100	- 52	45	118	46	- 80
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	10,444	11,511	12,903	12,145	47,003	11,362	12,579	14,171

(1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

(2) For details of defence expenditure see line 3, Table 6.

(3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

(4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Source of Personal Income, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	5,479	5,804	6,070	6,063	23,416	6,024	6,429	6,729
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 221	- 219	- 225	- 227	- 892	- 229	- 232	- 238
3. Military pay and allowances	140	150	147	146	583	145	153	149
4. Net income received by farm operators from farm production(1)	161	98	1,021	82	1,362	253	62	1,228
5. Net income of non-farm unincorporated business	545	652	627	763	2,587	559	699	674
6. Interest, dividends, and net rental income of persons(2)	907	934	929	990	3,760	955	972	970
Transfer payments to persons:								
7. From government (excluding interest)	1,115	1,038	986	1,020	4,159	1,226	1,109	1,094
8. Charitable contributions by corporations	11	11	11	11	44	11	11	11
9. PERSONAL INCOME	8,137	8,468	9,566	8,848	35,019	8,944	9,203	10,617

- (1) This item differs from line 6, Table 1, by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.
(2) Includes all government debt interest paid to persons.

TABLE 4. Disposition of Personal Income, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal direct taxes	765	909	852	881	3,407	907	1,045	959
2. Income taxes	623	791	749	767	2,930	737	914	827
3. Succession duties and estate taxes	41	57	39	48	185	44	49	60
4. Miscellaneous	101	61	64	66	292	126	82	72
5. Personal expenditure on consumer goods and services ..	6,863	7,294	7,181	8,093	29,431	7,235	7,895	7,751
6. Non-durable goods	3,246	3,394	3,569	4,146	14,355	3,398	3,657	3,829
7. Durable goods	799	992	796	971	3,558	821	1,094	883
8. Services(1)	2,818	2,908	2,816	2,976	11,518	3,016	3,144	3,039
9. Personal net saving	509	265	1,533	- 126	2,181	802	263	1,907
10. Personal saving excluding change in farm inventories	775	388	785	332	2,280	1,081	364	989
11. Value of physical change in farm inventories	- 266	- 123	748	- 458	- 99	- 279	- 101	918
12. PERSONAL INCOME	8,137	8,468	9,566	8,848	35,019	8,944	9,203	10,617
13. (Personal disposable income)(2)	(7,372)	(7,559)	(8,714)	(7,967)	(31,612)	(8,037)	(8,158)	(9,658)

- (1) Includes net expenditure abroad.
(2) Personal Income less Total Personal Direct Taxes.

TABLE 5. Government Revenue, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Direct taxes - Persons	765	909	852	881	3,407	907	1,045	959
2. Federal	549	699	648	662	2,558	621	757	660
3. Provincial and municipal	216	210	204	219	849	286	288	299
4. Direct taxes - Corporations	426	534	499	530	1,989	445	578	542
5. Federal	317	398	372	395	1,482	331	431	404
6. (Federal tax collections)	(324)	(521)	(375)	(385)	(1,605)	(359)	(566)	(396)
7. Provincial	109	136	127	135	507	114	147	138
8. (Provincial tax collections)	(116)	(126)	(131)	(113)	(486)	(140)	(140)	(151)
Withholding taxes:								
9. Federal	30	34	25	51	140	37	44	29
10. Indirect taxes	1,566	1,653	1,706	1,723	6,648	1,733	1,825	1,911
11. Federal	616	719	739	773	2,847	689	800	846
12. Provincial and municipal	950	934	967	950	3,801	1,044	1,025	1,065
13. Investment income	350	365	362	442	1,519	374	401	393
14. Federal	119	133	129	166	547	117	148	140
15. Provincial and municipal	231	232	233	276	972	257	253	253
16. Employer and employee contributions to social insurance and government pension funds	221	219	225	227	892	229	232	238
17. Federal	141	136	140	141	558	145	145	147
18. Provincial and municipal	80	83	85	86	334	84	87	91
Transfers from Federal:								
19. Provincial and municipal	298	327	306	323	1,254	388	363	309
20. TOTAL REVENUE	3,656	4,041	3,975	4,177	15,849	4,113	4,488	4,381
21. FEDERAL	1,772	2,119	2,053	2,188	8,132	1,940	2,325	2,226
22. PROVINCIAL AND MUNICIPAL	1,884	1,922	1,922	1,989	7,717	2,173	2,163	2,155

TABLE 6. Government Expenditure, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Goods and services	1,949	2,128	2,318	2,212	8,607	2,088	2,378	2,577
2. Federal	791	736	784	731	3,042	822	776	875
3. (Defence)	(457)	(364)	(357)	(374)	(1,552)	(461)	(362)	(377)
4. Provincial and municipal	1,158	1,392	1,534	1,481	5,565	1,266	1,602	1,702
5. Transfer payments to persons (excluding interest on the public debt)	1,115	1,038	986	1,020	4,159	1,226	1,109	1,094
6. Federal	634	566	503	532	2,235	658	593	531
7. Provincial and municipal	481	472	483	488	1,924	568	516	563
8. Interest on the public debt	350	405	369	408	1,532	375	435	389
9. Federal	236	259	253	247	995	253	271	262
10. Provincial and municipal	114	146	116	161	537	122	164	127
11. Subsidies	64	66	75	112	317	46	56	82
12. Federal	60	61	52	105	278	40	50	55
13. Provincial	4	5	23	7	39	6	6	27
Transfers to other levels of government:								
14. Federal	298	327	306	323	1,254	388	363	309
15. Total expenditure	3,776	3,964	4,054	4,075	15,869	4,123	4,341	4,451
16. Federal	2,019	1,949	1,898	1,938	7,804	2,161	2,053	2,032
17. Provincial and municipal	1,757	2,015	2,156	2,137	8,065	1,962	2,288	2,419
18. Deficit (-) or surplus(+)	- 120	77	- 79	102	- 20	- 10	147	- 70
19. Federal	- 247	170	155	250	328	- 221	272	194
20. Provincial and municipal	127	- 93	- 234	- 148	- 348	211	- 125	- 264
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	3,656	4,041	3,975	4,177	15,849	4,113	4,488	4,381
22. FEDERAL	1,772	2,119	2,053	2,188	8,132	1,940	2,325	2,226
23. PROVINCIAL AND MUNICIPAL	1,884	1,922	1,922	1,989	7,717	2,173	2,163	2,155

TABLE 7. Source of National Saving, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal net saving	509	265	1,533	- 126	2,181	802	263	1,907
2. Business gross saving	1,366	1,927	1,828	1,848	6,969	1,411	2,053	1,985
3. Undistributed corporation profits	185	428	345	294	1,252	218	443	396
4. Capital consumption allowances and miscellaneous valuation adjustments	1,331	1,410	1,386	1,480	5,607	1,445	1,564	1,510
5. Adjustment on grain transactions(1)	- 150	89	97	74	110	- 252	46	79
6. Inventory valuation adjustment	- 35	- 73	22	- 35	- 121	- 46	- 112	- 59
7. Government surplus (+) or deficit (-)	- 120	77	- 79	102	- 20	- 10	147	- 70
8. Residual error of estimate	- 88	- 107	100	51	- 44	- 118	- 45	80
9. Totals	1,632	2,089	3,404	1,840	8,965	2,039	2,306	3,843

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 8. Disposition of National Saving, by Quarters, 1964 and 1965
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Business gross fixed capital formation	1,875	2,314	2,344	2,435	8,968	2,153	2,677	2,842
2. New residential construction	462	451	513	595	2,021	470	522	558
3. New non-residential construction	558	808	1,003	974	3,343	731	1,000	1,285
4. New machinery and equipment	855	1,055	828	866	3,604	952	1,155	999
5. Value of physical change in inventories	2	- 181	942	- 383	380	167	- 44	1,082
6. Surplus (+) or deficit (-) on current account with non-residents	- 334	- 152	218	- 160	- 428	- 399	- 373	- 1
7. Residual error of estimate	89	108	- 100	- 52	45	118	46	- 80
8. Totals	1,632	2,089	3,404	1,840	8,965	2,039	2,306	3,843

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1964 and 1965(1)
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	6,256	6,621	6,454	7,303	26,634	6,491	7,038	6,795
2. Non-durable goods	3,013	3,129	3,249	3,802	13,193	3,127	3,308	3,419
3. Durable goods	796	988	800	967	3,551	819	1,093	887
4. Services	2,447	2,504	2,405	2,534	9,890	2,545	2,637	2,489
5. Government expenditure on goods and services	1,551	1,767	1,988	1,793	7,099	1,598	1,904	2,137
6. Business gross fixed capital formation	1,610	1,961	1,979	2,042	7,592	1,762	2,170	2,293
7. New residential construction	383	367	411	475	1,636	369	403	429
8. New non-residential construction	486	699	865	831	2,881	605	814	1,042
9. New machinery and equipment	741	895	703	736	3,075	788	953	822
10. Change in inventories	52	- 208	846	- 337	353	215	- 69	977
11. Non-farm business inventories	297	16	161	11	485	460	85	144
12. Farm inventories and grain in commercial channels	- 245	- 224	685	- 348	- 132	- 245	- 154	833
13. Exports of goods and services	1,951	2,461	2,619	2,432	9,463	2,056	2,488	2,746
14. Deduct: Imports of goods and services	- 2,151	- 2,490	- 2,351	- 2,511	- 9,503	- 2,314	- 2,733	- 2,683
15. Residual error of estimate	79	96	- 89	- 46	40	102	40	- 69
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	9,348	10,208	11,446	10,676	41,678	9,910	10,838	12,196

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, derived by dividing the value figures in Table 2 by the constant dollar figures in Table 9, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates (millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	22,732	23,100	23,704	24,128	23,416	25,000	25,592	26,292
2. Military pay and allowances	572	576	584	600	583	604	592	600
3. Corporation profits before taxes	4,596	4,468	4,376	4,880	4,580	4,940	4,908	5,052
4. Deduct: Dividends paid to non-residents(1)	- 684	- 588	- 680	- 788	- 685	- 708	- 756	- 796
5. Rent, interest, and miscellaneous investment income	3,220	3,252	3,248	3,388	3,277	3,416	3,508	3,504
6. Accrued net income of farm operators from farm production(2)	1,372	1,680	1,432	1,404	1,472	1,532	1,564	1,712
7. Net income of non-farm unincorporated business(3)	2,548	2,584	2,624	2,592	2,587	2,632	2,764	2,812
8. Inventory valuation adjustment	- 140	- 292	88	- 140	- 121	- 184	- 448	- 236
9. NET NATIONAL INCOME AT FACTOR COST	34,216	34,780	35,376	36,064	35,109	37,232	37,724	38,940
10. Indirect taxes less subsidies	6,140	6,340	6,500	6,344	6,331	6,892	7,060	7,284
11. Capital consumption allowances and miscellaneous valuation adjustments	5,512	5,580	5,596	5,740	5,607	5,900	6,088	6,052
12. Residual error of estimate	52	- 16	- 80	- 132	- 44	- 116	8	- 220
13. GROSS NATIONAL PRODUCT AT MARKET PRICES	45,920	46,684	47,392	48,016	47,003	49,908	50,880	52,056
14. (Gross national product at market prices excluding accrued net income of farm operators)	(44,548)	(45,004)	(45,960)	(46,612)	(45,531)	(48,376)	(49,316)	(50,344)

(1) See footnote 1, Table 1.

(2) Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

(3) Includes net income of independent professional practitioners.

TABLE 11. Gross National Expenditure, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates (million of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	28,852	29,040	29,684	30,148	29,431	30,512	31,344	32,120
2. Government expenditure on goods and services(1, 2)	8,564	8,524	8,544	8,796	8,607	9,120	9,412	9,596
3. Business gross fixed capital formation(3)	8,944	8,828	8,720	9,380	8,968	10,052	10,236	10,776
4. New residential construction	2,176	1,908	1,872	2,128	2,021	2,156	2,144	2,160
5. New non-residential construction	3,164	3,244	3,376	3,588	3,343	3,948	4,040	4,348
6. New machinery and equipment	3,604	3,676	3,472	3,664	3,604	3,948	4,052	4,268
7. Value of physical change in inventories	452	448	388	232	380	1,076	936	436
8. Non-farm business inventories	572	616	804	48	510	944	768	700
9. Farm inventories and grain in commercial channels(4)	- 120	- 168	- 416	184	- 130	132	168	- 264
10. Exports of goods and services	9,996	10,604	10,756	10,404	10,440	10,552	10,892	11,244
11. Deduct: Imports of goods and services	- 10,840	- 10,772	- 10,784	- 11,076	- 10,868	- 11,520	- 11,932	- 12,336
12. Residual error of estimate	- 48	12	84	132	45	116	- 8	220
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	45,920	46,684	47,392	48,016	47,003	49,908	50,880	52,056
Detail of Farm Inventories and GICC:								
Value of grain crop production	1,132	1,132	1,136	1,132	1,133	1,312	1,316	1,316
Depletions of farm stocks of grain	- 1,376	- 1,356	- 1,180	- 1,216	- 1,282	- 1,204	- 1,232	- 1,160
Change in livestock inventories	48	136	- 40	56	50	- 40	- 4	- 92
Grain in commercial channels	76	- 80	- 332	212	- 31	64	88	- 328

(1) See footnote 1, Table 2.

(2) For details of defence expenditures, see line 3, Table 15.

(3) See footnote 3, Table 2.

(4) In the seasonally adjusted series, the value of grain production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 2, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 12. Source of Personal Income, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Wages, salaries, and supplementary labour income	22,732	23,100	23,704	24,128	23,416	25,000	25,592	26,292
2. Deduct: Employer and employee contributions to social insurance and government pension funds	- 876	- 900	- 892	- 900	- 892	- 908	- 952	- 948
3. Military pay and allowances	572	576	584	600	583	604	592	600
4. Net income received by farm operators from farm production(1)	1,828	1,276	1,108	1,236	1,362	2,400	1,344	1,652
5. Net income of non-farm unincorporated business	2,548	2,584	2,624	2,592	2,587	2,632	2,764	2,812
6. Interest, dividends, and net rental income of persons(2)	3,688	3,708	3,788	3,856	3,760	3,880	3,872	3,960
Transfer payments to persons:								
7. From government (excluding interest)	4,148	4,096	4,200	4,192	4,159	4,520	4,396	4,628
8. Charitable contributions by corporations	44	44	44	44	44	44	44	44
9. PERSONAL INCOME	34,684	34,484	35,160	35,748	35,019	38,172	37,652	39,040

(1) This item differs from line 6, Table 10, by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 13. Disposition of Personal Income, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal direct taxes	3,232	3,364	3,452	3,580	3,407	3,772	3,872	3,916
2. Income taxes	2,784	2,868	2,996	3,072	2,930	3,240	3,312	3,328
3. Succession duties and estate taxes	164	228	156	192	185	176	196	240
4. Miscellaneous	284	268	300	316	292	356	364	348
5. Personal expenditure on consumer goods and services	28,852	29,040	29,684	30,148	29,431	30,512	31,344	32,120
6. Non-durable goods	13,968	14,204	14,440	14,808	14,355	14,720	15,256	15,520
7. Durable goods	3,588	3,464	3,712	3,468	3,558	3,712	3,812	4,116
8. Services(1)	11,296	11,372	11,532	11,872	11,518	12,080	12,276	12,484
9. Personal net saving	2,600	2,080	2,024	2,020	2,181	3,888	2,436	3,004
10. PERSONAL INCOME	34,684	34,484	35,160	35,748	35,019	38,172	37,652	39,040
11. (Personal disposable income)(2)	(31,452)	(31,120)	(31,708)	(32,168)	(31,612)	(34,400)	(33,780)	(35,124)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 14. Government Revenue, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Direct taxes - Persons	3,232	3,364	3,452	3,580	3,407	3,772	3,872	3,916
2. Federal	2,448	2,552	2,580	2,652	2,558	2,724	2,760	2,628
3. Provincial and municipal	784	812	872	928	849	1,048	1,112	1,288
4. Direct taxes - Corporations	1,976	1,976	1,968	2,036	1,989	2,068	2,120	2,148
5. Federal	1,484	1,480	1,468	1,496	1,482	1,548	1,580	1,600
6. (Federal tax collections)	(1,392)	(1,844)	(1,500)	(1,684)	(1,605)	(1,532)	(1,968)	(1,584)
7. Provincial	492	496	500	540	507	520	540	548
8. (Provincial tax collections)	(424)	(524)	(488)	(508)	(486)	(540)	(568)	(552)
Withholding taxes:								
9. Federal	132	140	140	148	140	160	176	160
10. Indirect taxes	6,424	6,608	6,748	6,812	6,648	7,096	7,300	7,540
11. Federal	2,696	2,824	2,928	2,940	2,847	3,000	3,144	3,344
12. Provincial and municipal(1)	3,728	3,784	3,820	3,872	3,801	4,096	4,156	4,196
13. Investment income	1,488	1,508	1,484	1,596	1,519	1,584	1,644	1,636
14. Federal	560	524	520	584	547	556	580	580
15. Provincial and municipal	928	984	964	1,012	972	1,028	1,064	1,056
16. Employer and employee contributions to social insurance and government pension funds	876	900	892	900	892	908	952	948
17. Federal	556	568	552	556	558	572	604	584
18. Provincial and municipal	320	332	340	344	334	336	348	364
Transfers from federal:								
19. Provincial and municipal	1,164	1,300	1,264	1,288	1,254	1,516	1,448	1,308
20. TOTAL REVENUE	15,292	15,796	15,948	16,360	15,849	17,104	17,512	17,656
21. FEDERAL	7,876	8,088	8,188	8,376	8,132	8,560	8,844	8,896
22. PROVINCIAL and MUNICIPAL	7,416	7,708	7,760	7,984	7,717	8,544	8,668	8,760

(1) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 15. Government Expenditure, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Goods and services	8,564	8,524	8,544	8,796	8,607	9,120	9,412	9,596
2. Federal	3,160	2,996	3,016	2,996	3,042	3,216	3,184	3,356
3. (Defence)	(1,672)	(1,544)	(1,496)	(1,496)	(1,552)	(1,648)	(1,556)	(1,572)
4. Provincial and municipal	5,404	5,528	5,528	5,800	5,565	5,904	6,228	6,240
5. Transfer payments to persons (excluding interest on the public debt)	4,148	4,096	4,200	4,192	4,159	4,520	4,396	4,628
6. Federal	2,256	2,216	2,236	2,232	2,235	2,364	2,320	2,332
7. Provincial and municipal	1,892	1,880	1,964	1,960	1,924	2,156	2,076	2,296
8. Interest on the public debt	1,500	1,520	1,528	1,580	1,532	1,604	1,628	1,644
9. Federal	984	988	992	1,016	995	1,052	1,036	1,040
10. Provincial and municipal	516	532	536	564	537	552	592	604
11. Subsidies	284	268	248	468	317	204	240	256
12. Federal	248	228	208	428	278	164	200	216
13. Provincial	36	40	40	40	39	40	40	40
Transfers to other levels of government:								
14. Federal	1,164	1,300	1,264	1,288	1,254	1,516	1,448	1,308
15. Total expenditure	15,660	15,708	15,784	16,324	15,869	16,964	17,124	17,432
16. Federal	7,812	7,728	7,716	7,960	7,804	8,312	8,188	8,252
17. Provincial and municipal	7,848	7,980	8,068	8,364	8,065	8,652	8,936	9,180
18. Deficit (-) or surplus (+)	- 368	88	164	36	- 20	140	388	224
19. Federal	64	360	472	416	328	248	656	644
20. Provincial and municipal	- 432	- 272	- 308	- 380	- 348	- 108	- 268	- 420
21. TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	15,292	15,796	15,948	16,360	15,849	17,104	17,512	17,656
22. FEDERAL	7,876	8,088	8,188	8,376	8,132	8,560	8,844	8,896
23. PROVINCIAL and MUNICIPAL	7,416	7,708	7,760	7,984	7,717	8,544	8,668	8,760

TABLE 16. Source of National Saving, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Personal net saving	2,600	2,080	2,024	2,020	2,181	3,888	2,436	3,004
2. Business gross saving	6,360	7,260	6,968	7,288	6,969	6,548	7,740	7,568
3. Undistributed corporation profits	1,304	1,276	1,048	1,380	1,252	1,516	1,432	1,456
4. Capital consumption allowances and miscellaneous valuation adjustments	5,512	5,580	5,596	5,740	5,607	5,900	6,088	6,052
5. Adjustment on grain transactions(1)	- 456	404	324	168	110	- 868	220	60
6. Inventory valuation adjustment	- 140	- 292	88	- 140	- 121	- 184	- 448	- 236
7. Government surplus (+) or deficit (-)	- 368	88	164	36	- 20	140	388	224
8. Residual error of estimate	52	- 16	- 80	- 132	- 44	- 116	8	- 220
9. Totals	8,504	9,120	9,164	9,072	8,965	10,276	10,124	10,340

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 17. Disposition of National Saving, by Quarters, 1964 and 1965 Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964					1965		
	I	II	III	IV	Year	I	II	III
1. Business gross fixed capital formation	8,944	8,828	8,720	9,380	8,968	10,052	10,236	10,776
2. New residential construction	2,176	1,908	1,872	2,128	2,021	2,156	2,144	2,160
3. New non-residential construction	3,164	3,244	3,376	3,588	3,343	3,948	4,040	4,348
4. New machinery and equipment	3,604	3,676	3,472	3,664	3,604	3,948	4,052	4,268
5. Value of physical change in inventories	452	448	388	232	380	1,076	936	436
6. Surplus (+) or deficit (-) on current account with non-residents	- 844	- 168	- 28	- 672	- 428	- 968	- 1,040	- 1,092
7. Residual error of estimate	- 48	12	84	132	45	116	- 8	220
8. Totals	8,504	9,120	9,164	9,072	8,965	10,276	10,124	10,340

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1964 and 1965(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

	1964(1)					1965		
	I	II	III	IV	Year	I	II	III
1. Personal expenditure on consumer goods and services	26,252	26,316	26,812	27,156	26,634	27,384	27,904	28,496
2. Non-durable goods	12,900	13,072	13,228	13,572	13,193	13,464	13,796	13,992
3. Durable goods	3,564	3,444	3,716	3,480	3,551	3,716	3,804	4,120
4. Services	9,788	9,800	9,868	10,104	9,890	10,204	10,304	10,384
5. Government expenditure on goods and services	7,140	7,076	6,996	7,184	7,099	7,372	7,516	7,608
6. Business gross fixed capital formation	7,684	7,476	7,360	7,848	7,592	8,248	8,288	8,696
7. New residential construction	1,796	1,552	1,504	1,692	1,636	1,692	1,656	1,664
8. New non-residential construction	2,764	2,808	2,904	3,048	2,881	3,288	3,292	3,516
9. New machinery and equipment	3,124	3,116	2,952	3,108	3,075	3,268	3,340	3,516
10. Change in inventories	444	424	336	208	353	1,012	896	396
11. Non-farm business inventories	568	596	744	32	485	896	728	660
12. Farm inventories and grain in commercial channels	- 124	- 172	- 408	176	- 132	116	168	- 264
13. Exports of goods and services	9,128	9,648	9,672	9,404	9,463	9,584	9,832	10,020
14. Deduct: Imports of goods and services	- 9,472	- 9,364	- 9,436	- 9,740	- 9,503	- 10,068	- 10,452	- 10,776
15. Residual error of estimate	- 44	12	76	116	40	100	- 8	188
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	41,132	41,588	41,816	42,176	41,678	43,632	43,976	44,628

(1) See footnote 1, Table 9.

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QUARTERLY

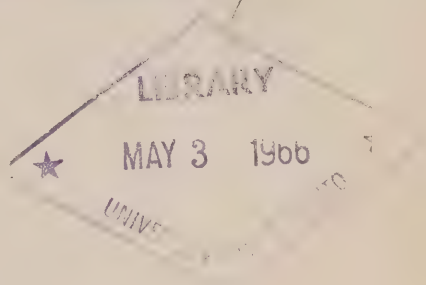
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**NATIONAL ACCOUNTS ;
INCOME AND EXPENDITURE
(FOURTH QUARTER
AND PRELIMINARY ANNUAL)**

1965



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"National Accounts, Income and Expenditure, by Quarters, 1947-61", for the years 1947-58.

"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1963", for the year 1959.

"National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual, 1964", for the year 1960.

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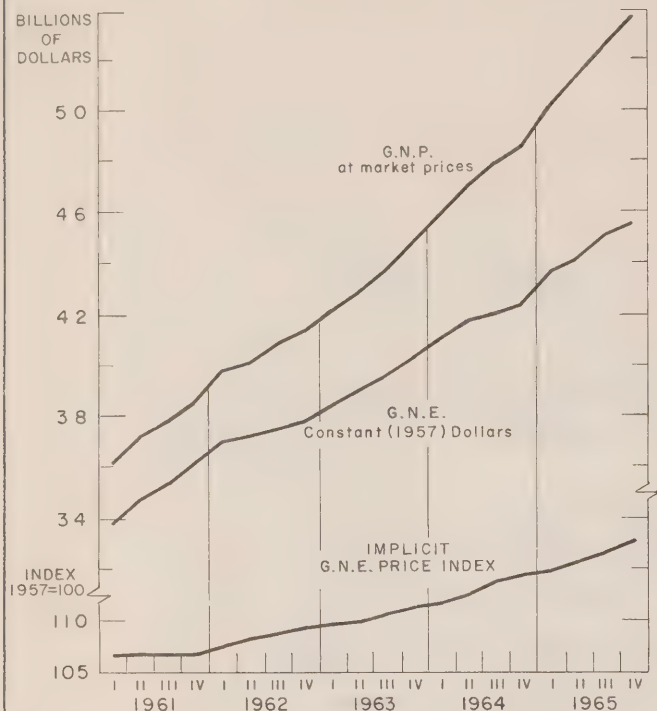
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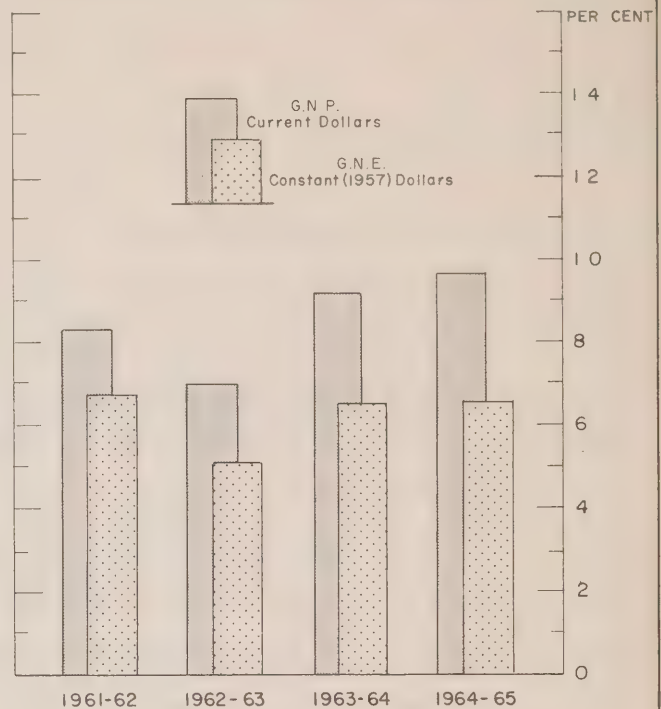
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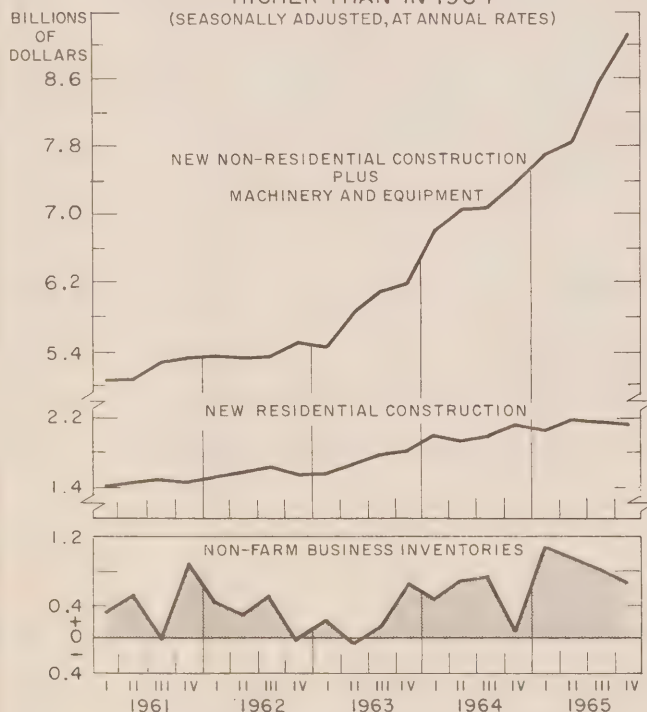
GROSS NATIONAL PRODUCT ROSE BY 2 PER CENT
IN THE FINAL QUARTER OF 1965
(SEASONALLY ADJUSTED, AT ANNUAL RATES)



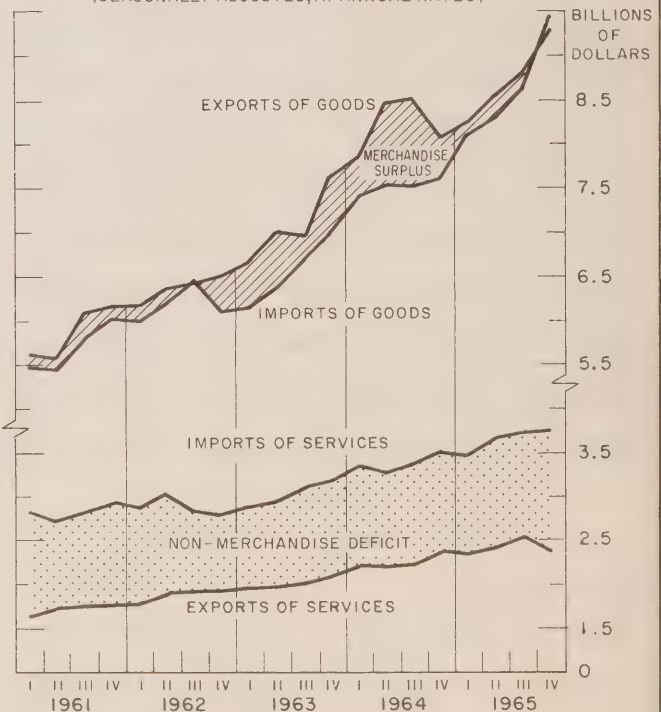
THE YEAR AS A WHOLE INCREASED
BY 9.7 PER CENT OF WHICH PRICE INCREASES
ACCOUNTED FOR ABOUT ONE THIRD



INCREASES IN INVESTMENT IN NON-RESIDENTIAL CONSTRUCTION AND MACHINERY AND EQUIPMENT WERE ONE OF THE DOMINANT FACTORS OF THE YEAR. IN HOUSING, HOWEVER, MOST OF THE ADVANCE IN VALUE WAS DUE TO THE INCREASE IN PRICES. BUSINESS INVENTORIES WERE APPRECIABLY HIGHER THAN IN 1964



THE TOTAL DEFICIT ON CURRENT ACCOUNT INCREASED FROM \$0.4 BILLION IN 1964 TO \$1.1 BILLION IN 1965, AS AN INCREASED PORTION OF THE EXPANSION IN DEMAND WAS MET BY GREATLY INCREASED MERCHANDISE IMPORTS



ANNUAL REVIEW 1965

(This report incorporates revisions to data for the years 1962, '63, '64, and the first 3 quarters of 1965. In large part, the revisions represent information which has become available during the past year from final tabulations of annual survey data. New information from "Taxation Statistics, 1965" has also been incorporated in the estimates, as well as the results of the most recent survey, "Private and Public Investment in Canada - Outlook, 1966".)

INTRODUCTION

The momentum which has carried the Gross National Product to successive new high levels since 1961 continued through 1965, when a 9.7 per cent increase raised the current dollar value to \$52.0 billion. As the expansion continued and the economy moved close to a full utilization of resources, price increases were more evident than in the preceding years and a 3 per cent rise in price levels reduced the gain to 6.6 per cent in real terms. If agricultural income is excluded from GNP, the increase in 1965 of 9.6 per cent is somewhat less than the 10.2 per cent increase between 1963 and 1964.

The first quarter of the year witnessed an unusually rapid rate of increase as a surge in inventory accumulation, following the previous quarter's disruption of supplies due to strikes in the automobile industry, was coupled with increased demands in all other sectors, with the exception of housing. The rate of growth eased in the following quarters from the first quarter rate, but throughout the year all areas of demand continued strong with the exception of new housing construction where most of the recorded increase in value reflected increased prices. In the final quarter of the year Gross National Product gained 2 per cent to end the year at \$53.8 billion.

The year as a whole saw gains over a wide range of economic activity. The scene was perhaps dominated by the strength of investment in non-residential construction and machinery and equipment, which were 17 per cent above 1964 levels, with particular emphasis in the manufacturing industry and electric power, gas and water utilities. The capacity of the construction industry was strained during the year, for in addition to business construction, government outlays on new fixed capital rose steeply. These latter outlays are included in overall government expenditure on goods and services which rose by 11 per cent, the main impetus coming from the provincial and municipal governments. Personal consumption once again accounted for the major part of the gain in Gross National Product, as the increase of 8 per cent, buoyed by rapidly rising labour income and expansion of credit purchasing, contributed \$2.4 billion towards the total increase in Gross National Product of \$4.6 billion. The demand for goods and services increased at the same rate, although within goods, the relative strength of demand for durable goods was more pronounced, particularly for automobiles where sales continued to increase strongly for the fourth successive year.

Business investment in inventories, although easing off in each quarter, totalled \$905 million for the year, appreciably higher than 1964. However, the level of inventories and the overall rate of accumulation when viewed against the levels of production did not appear to be unduly high.

The pressures on Canadian production of the vigorous expansion in domestic demand were somewhat moderated as part of the demand was met by a sharp increase in imports, particularly towards the latter part of the year. The deficit on current account transactions with non-residents increased to \$1.1 billion in 1965 from \$0.4 billion, mainly as a result of a substantially lower growth in exports of goods combined with continued large increases in merchandise imports. Exports of goods continued to rise although at a less rapid pace than in 1964; the gains were notable however - when allowing for the substantial decline in wheat sales - particularly non-ferrous metals and automobiles and parts.

In response to the high level of demand labour income rose rapidly throughout the year to average 11 per cent above 1964. The increase was attributable to expanded employment opportunities and to wage rate increases in excess of those experienced in the previous year. Profits moved rather unevenly through the year to a new high, 8 per cent above 1964; however the fractional declines in the first and fourth quarters were in contrast to the uninterrupted gains recorded from the beginning of 1962.

Quarter to Quarter Changes in Final Purchases
(Seasonally Adjusted at Annual Rates)
(millions of dollars)

	1Q'62	2Q'62	3Q'62	4Q'62	1Q'63	2Q'63	3Q'63	4Q'63	1Q'64	2Q'64	3Q'64	4Q'64	1Q'65	2Q'65	3Q'65	4Q'65
	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to
	2Q'62	3Q'62	4Q'62	1Q'63	2Q'63	3Q'63	4Q'63	1Q'64	2Q'64	3Q'64	4Q'64	1Q'65	2Q'65	3Q'65	4Q'65	
1. Personal expenditure	176	152	504	316	488	488	548	736	296	688	400	364	896	876	820	
2. Government expenditure	416	- 116	28	200	- 48	248	12	340	64	- 48	376	320	292	120	276	
3. Residential construction	36	72	- 88	12	88	140	12	200	- 64	52	140	- 92	148	- 60	- 4	
4. Non-residential construction ..	- 136	- 28	56	- 12	248	32	52	268	84	124	52	316	- 76	316	232	
5. Machinery and equipment	100	72	104	- 28	92	224	48	380	160	- 116	248	28	172	412	360	
6. Exports of goods and services	328	48	68	260	324	8	752	332	604	68	- 288	148	348	344	396	
7. Total final purchases	920	200	672	748	1,192	1,140	1,424	2,256	1,144	768	928	1,084	1,780	2,008	2,080	
8. (Final domestic demand)	592	152	604	488	868	1,132	672	1,924	540	700	1,216	936	1,432	1,664	1,684	

Quarter to Quarter Changes in Other Selected Items

9. "Shift" in non-farm business inventories	- 168	228	- 520	216	- 272	240	480	- 168	216	80	- 696	1,020	- 128	- 144	- 140	
10. Imports of goods and services	364	48	- 396	168	284	488	372	608	-	76	244	448	404	400	824	
11. G.N.P. (ex. farm)	448	484	596	688	564	888	1,072	1,460	892	1,144	584	1,472	1,104	1,232	1,052	

Constant (1957) Dollars

Quarter to Quarter Percentage Changes in Select Items

12. Final domestic demand	0.9	- 0.1	1.0	0.7	1.6	1.8	1.0	3.9	0.4	0.9	2.0	1.0	2.1	2.8	2.1	
13. Total final purchases	1.3	- 0.1	0.9	1.1	1.9	1.5	2.1	3.7	1.4	0.7	1.2	1.1	2.2	2.7	2.3	
14. Gross national expenditure	0.6	0.9	0.8	1.7	1.2	1.3	2.0	2.1	1.7	0.5	0.8	3.0	1.3	2.0	1.0	

As noted earlier, some acceleration of price increases was observed in 1965, as well as a broadening of the areas over which these increases were being experienced. In the consumer field, price increases in food and services were most significant, while price increases in construction appeared to be appreciably higher in non-residential work. Although price increases were more widespread in 1965 certain price reductions should be noted in the selling prices of the motor vehicle industry, petroleum refineries and sugar refineries.

The robustness of the Canadian economy has gone hand in hand with increasing employment and gains in productivity, and against a background of economic expansion in the United States unprecedented in the post-war period.

Components of Demand

Consumer Expenditure

Total consumer expenditure on goods and services reached \$32.1 billion in the year 1965, an increase of 8 per cent over its 1964 value. The purchasing power to sustain this level came primarily from an 11 per cent growth in labour income, while consumer debt outstanding continued to expand at about the same rate as in prior years.

A 2 per cent rise in consumer prices cut into the real gains for the period. The price rise was most pronounced in the service sector which registered an almost 3 per cent increase for the year. A nearly 3 per cent increase in food prices was largely responsible for the increase in non-durable goods prices. New car prices together with used car prices declined about 1 per cent while total durable goods prices declined fractionally.

All major components of consumer expenditure shared in the advance of total consumer expenditure. The rate of growth was fractionally stronger than in the preceding year. The increase in services was 8 per cent, a continuation of the pronounced rate of increase of 1964. The outlays on goods advanced at a rate similar to the advance in outlays for services.

The value of durable goods purchased continued a steady advance as prices edged downwards. Sales of new and used cars rose over 14 per cent, as compared with a 12 per cent gain shown in strike-affected 1964. Most of the major components of durable goods showed increases, more noticeably in furniture and appliances and radios. Purchases of non-durable goods rose more than 7 per cent over 1964, with notable increases in several of the components; for example, food expenditures increased by almost 6 per cent, clothing by $6\frac{1}{2}$ per cent, and tobacco and alcoholic beverages by 8 and 9 per cent respectively.

Personal Expenditure - Per cent Changes

	Year 1962 to Year 1963	Year 1963 to Year 1964	Year 1964 to Year 1965
Total Non-Durables	4.3	6.4	7.3
Food (purchased)	4.8	5.1	5.7
Clothing (and footwear)	4.5	6.3	6.2
Total Durables	9.7	10.7	11.4
New and Used Cars	14.5	11.8	14.2
Total Goods	5.3	7.3	8.1
Total Services (including net expenditure abroad)	7.2	9.0	8.1
Total Personal Expenditure	6.0	7.9	8.1

Business Gross Fixed Capital Formation

Capital expenditures in 1965 amounted to \$10.4 billion, 14½ per cent higher than in the previous year. Non-residential construction and machinery and equipment outlays rose 18 and 17 per cent respectively, while housing rose less sharply, by 5 per cent. The pace of investment in business plant and equipment quickened noticeably in the second half of the year.

The strength in demand in 1965 for new capital spread to all major industrial groupings, but was particularly pronounced in industries manufacturing chemicals, transportation equipment, and in the paper and allied industries, in electric power and transportation utilities, and in financial and commercial services, where the latter increase was partly related to preparations for the 1967 World's Fair. New construction project outlays ran about one-third higher in 1965 in manufacturing, electric power, gas and water utilities, and in the private commercial and institutional service industries, while increased purchases of machinery and equipment were particularly heavy in railways and urban transit systems.

The distribution of capital spending has shifted to give greater emphasis to manufacturing in the past two years than was evident at the commencement of the current expansion, and in 1965 manufacturers' outlays were double those of 1961.

Changes in Industrial Composition of Business Plant and Equipment Outlay

	1965 \$000,000	Distribution 1961 %	1965 %	Per cent increase 1961 to 1965
Goods industries:				
Agriculture, fishing, trapping	928	11.1	11.2	61
Forestry	102	1.0	1.2	104
Mining, quarrying, oil wells	687	8.7	8.3	53
Manufacturing: Durable	803	7.7	9.7	102
Non-durable	1,435	13.3	17.2	109
Electric power, gas/water utilities	1,141	13.6	13.8	62
Construction	235	2.6	2.8	73
Sub-total	5,331	58.0	64.2	78
Service industries:				
Transportation and storage	810	12.5	9.8	26
Communication	455	6.6	5.5	34
Trade	368	5.9	4.4	20
Finance, insurance, real estate	413	6.0	5.0	32
Recreation, business, personal	923	11.0	11.1	62
Sub-total	2,969	42.0	35.8	37
Total	8,300	100.0	100.0	60

The value of residential building amounted to \$2.1 billion with a gain of 5 per cent over 1964 representing largely increased prices. Housing expenditures rose 2½ per cent in the first half of 1965 over the latter half of 1964 but were little changed between the first and second halves of 1965. The tightened supply of mortgage money in the latter part of 1965 contributed to a slowing down in the number of apartments started in the final months of the year. Housing starts in 1965 were virtually unchanged at 166.6 thousand, with completions increasing slightly to 153.0 thousand; the number of dwellings under construction consequently increased and stood at a record 120.0 thousand at the year-end. The housing market was assisted by CMHC direct loans which helped to offset the decline in both conventional and NHA lending by institutions. Mortgage approvals in the last quarter of 1965 were considerably lower than the previous year's level.

Mortgage Loan Approvals Gross Basis
(Dwelling Units)

	1963	1964	1965	<u>1965</u> <u>1964</u>
Under National Housing Act				
Central Mortgage and Housing Corporation	25,034	29,939	33,942	13.4
Approved lenders	31,225	28,197	25,516	-9.5
Sub-total.....	56,259	58,136	59,458	2.3
Conventional lenders	76,601	93,925	90,221	-3.9
Total	132,860	152,061	149,679	-1.6

During 1965 as a result of the heavy construction program, pressures developed on construction wage and material costs. Costs rose by about 6 per cent in 1965 compared with increases of about 4 per cent in the preceding year.

Business capital spending plans for 1966, published in "Private and Public Investment in Canada - Outlook 1966", indicate a substantial increase in investment; thus the sector is expected to add to domestic demand and cost pressures. However, some Federal Government budgetary measures, announced in late March, were aimed at restraining the expenditures on capital.

Non-farm Business Inventories

The tempo of investment in business inventories accelerated in 1965, amounting to \$905 million as compared to \$516 million in 1964. Although this was by far the biggest stock accumulation during the current economic expansion, the accumulation in relation to the levels of production does not appear to be unduly high. Investment in manufacturing and retail trade was the major force of expansion, contributing about 50 and 28 per cent respectively of the total accumulation in 1965. The year 1965 has been noteworthy for the strength of durable goods. The quarterly pattern revealed that after a substantial accumulation in the first quarter of the current year, there was some slowing down in the rate of accumulation in the last three quarters of the year. The substantial build-up in the first quarter in part reflected unusually heavy restocking of automobiles in dealers' hands as a result of a sizeable involuntary depletion in the previous quarter due to strikes in the automobile industry.

The strongest influence in the 1965 accumulation was provided by the investment in manufacturers' durable goods, with significant increases in the stocks of primary metal, metal fabricating, machinery, transportation, and electrical goods-producing industries. Among non-durables, the increase in chemicals was noticeable. An offsetting movement in the stocks of other non-durable goods-producing industries left on balance a very small accumulation. The ratio of stock-to-shippments throughout the year remained below the average of the current expansion and slipped noticeably at the year-end.

Almost all the increase in the rate of accumulation in the stocks of wholesale trade was accounted for by the durable lines, in particular in the industrial and transportation machinery and equipment group. The movements in the non-durables were mixed, leaving a very small accumulation. The stock-to-sales ratio for the year as a whole was below the average of the current expansion.

A considerable amount of accumulation was concentrated in the holdings of retail traders. Modest increases in stocks were registered in non-durable goods, whilst there was a sharp accumulation in durable goods, concentrated mainly in the hands of motor vehicle dealers. The stock-to-sales ratio throughout the year was above the average of the current expansion.

Change in Non-Farm Business Inventories, Years 1964-1965

	1964	1965	1965 Minus 1964
	(millions of dollars)		
Manufacturing	235	442	207
Durables	142	366	224
Non-durables	93	76	-17
Wholesale	65	118	53
Retail	192	249	57
"Other" Industries	24	96	72
Total	516	905	389

Exports and Imports of Goods and Services

During 1965 the deficit in Canada's external account jumped to \$1,141 million from \$412 million in 1964 on the National Accounts basis. The change of \$729 million resulted from a fall of \$599 million in the surplus on merchandise trade as the increased demand for imports outpaced the growth in export sales, and a further deterioration of \$130 million in non-merchandise trade. About 80 per cent of the latter can be ascribed to higher deficits in the interest and dividend account and the freight and shipping account.

Exports and Imports of Goods and Services

	Goods			Services			Current
	Exports	Imports	Net	Exports	Imports	Net	Balance
	(millions of dollars)						
1961	5,889	5,716	173	1,742	2,826	-1,084	-911
1962	6,380	6,203	177	1,879	2,879	-1,000	-823
1963	7,082	6,579	503	2,029	3,039	-1,010	-507
1964	8,240	7,540	700	2,267	3,379	-1,112	-412
1965	8,737	8,636	101	2,419	3,661	-1,242	-1,141
1964-5 per cent change	6.0	14.5		6.7	8.3		

Export gains were made in live animals, crude materials such as metal ores, fabricated materials including pulp and paper and metals, and such products as machinery and transportation (cars, trucks and parts) and communication equipment. After showing little gain in the first part of the year compared with the latter half of 1964, exports climbed 8 per cent in the second half of the year.

Domestic exports, on a Trade of Canada basis, were \$429 million higher in 1965 than in the previous year. A gain of \$568 million in United States' markets offset declines of \$25 and \$114 million in United Kingdom and other markets. Fabricated materials and end-products contributed 43 and 36 per cent of gains made in the United States. A drop of \$214 million in the category "food, feed, beverages, and tobacco" accounted for the overall decline in exports to markets outside the United States and United Kingdom. Whereas shipments of wheat and flour under the first major contract with the Soviet Union were important throughout the first half of 1964, shipments on the second large contract began late in the third quarter of 1965.

Available import statistics suggest strength in Canadian demand for imported fabricated chemicals, metal and metal products, machinery, transportation and communication equipment and other equipment such as laboratory requirements and computers.

Merchandise Trade
(Trade of Canada basis)

	Domestic Exports				Imports		
	12 months		Per cent change	10 months		Per cent change	
	1964	1965		1964	1965		
	(millions of dollars)			(millions of dollars)			
Live animals	34	79	132.4	15	8	-46.7	
Food, feed, beverages, tobacco ^{1/}	1,806	1,630	-9.7	634	599	- 5.5	
Inedible crude materials	1,616	1,763	9.1	789	813	3.0	
Metals	803	862	7.3	157	166	5.7	
Inedible fabricated materials	3,503	3,729	6.5	1,474	1,702	15.5	
Lumber and wood	589	602	2.2	56	58	3.6	
Pulp, paper, allied	1,359	1,432	5.4	54	58	7.4	
Chemicals, allied	296	323	9.1	330	373	13.0	
Metals and metal products	1,085	1,182	9.0	478	606	26.8	
Inedible end products	1,109	1,298	17.1	3,075	3,609	17.4	
Machinery	276	322	16.7	1,016	1,130	11.2	
Transportation and communication equip- ment ^{2/}	539	668	23.9	977	1,268	29.8	
Other equipment, tools.....	173	175	1.2	505	572	13.3	
Personal, household goods	51	52	2.0	245	263	7.3	
Miscellaneous	69	81	17.4	332	375	13.0	
Special trade transactions	26	24	-7.7	171	221	29.2	
Total	8,094	8,523	5.3	6,158	6,952	12.9	
^{1/} Wheat clearances:	988	853	-13.9				
^{2/} Before allowance for progress payments and deliveries.							

The Government Sector

Total revenues of governments combined (excluding intergovernmental transfers) increased by \$1,676 million to a level of \$16,373 million, about 11 $\frac{3}{4}$ per cent over the 1964 level of \$14,697 million. Total expenditures increased less sharply, by 9 $\frac{1}{2}$ per cent above 1964 totals, to a level of \$16,127 million, resulting in a surplus of \$246 million (on a National Accounts basis) compared to a small deficit of \$21 million in 1964. The improvement in the overall position came entirely at the federal level. The increase in revenues was at a greater rate than the increase in expenditures, and resulted in an increase in the surplus to \$568 million from \$296 million in 1964, making this the second year in a row to record a federal surplus. The deficit at the provincial-municipal level of \$322 million was little changed from 1964.

All components of government revenue increased over the year, reflecting the continued buoyancy and expansion of activity in the economy in 1965. The largest increases occurred in revenues from indirect taxes and personal direct taxes.

Total indirect tax revenue rose by approximately 12 per cent, with the federal government and the provincial-municipal governments sharing almost equally in the absolute increase. The major part of the gain at the federal level was in excise taxes, which rose 19 per cent compared to 14 per cent for all federal indirect taxes; this was in part a reflection of the final stage of the imposition of the higher excise tax on production equipment and building materials. Provincial revenues from gasoline and sales taxes rose by 11 per cent and 16 per cent respectively, partially caused by some upward revision in rates. The gain in property taxes, due to both increased rates and bases, accounts for most of the rise at the municipal level.

Total corporate and personal direct taxes reached a level of \$6,076 million, an increase of 12 per cent from 1964. Reflecting the sustained improvement in employment conditions and rising incomes, total revenue from federal and provincial personal income taxes was 13½ per cent higher than in 1964, even after allowing for a reduction of about 10 per cent in the federal personal income tax rates from July 1, 1965. The provincial share of personal income taxes increased markedly during the year, a reflection of the increased abatement under the terms of the Federal-Provincial Fiscal Arrangements Act.

Total expenditures of all levels of government (excluding intergovernmental transfers) advanced by approximately 10 per cent or \$1.4 billion in 1965, with most of the gain occurring at the provincial-municipal level. Outlays on goods and services which increased by 11 per cent were strongly reinforced by a 29 per cent or \$533 million increase in capital expenditure with four-fifths of the increase occurring at the provincial-municipal level. Provincial-municipal expenditures on goods and services rose sharply by approximately 13 per cent. Federal outlays on goods and services rose by more than 7 per cent, which was accounted for by an increase of almost 14 per cent in non-defence goods and services and a decrease of 1 per cent in defence goods and services.

Transfer payments to persons (excluding interest on the public debt) showed a total increase of 9 per cent. The federal government recorded an increase of 3 per cent, but the increase at the provincial-municipal level was 15 per cent. The substantial increase by the provincial-municipal governments was caused by larger grants to hospitals and educational institutions.

Per Cent Change in Government Revenue and Expenditure

	1963 to 1964	1964 to 1965
Government Expenditure:		
Goods and services	7.2	10.9
Transfer payments to persons	7.4	8.9
Interest on the public debt	7.2	7.1
Subsidies	3.9	-4.0
Capital assistance	34.4	2.4
Total ^{1/}	7.3	9.6
Government Revenue:		
Direct taxes - persons	17.6	14.1
Direct taxes - corporations	9.3	8.4
Withholding taxes	10.2	20.0
Indirect taxes	13.3	11.8
Investment income	9.4	10.6
Employer-Employee contributions	7.0	5.2
Total ^{1/}	12.8	11.4

^{1/}Excludes intergovernmental transfers.

Price Movements

With prices advancing by nearly 3 per cent between 1964 and 1965, the increase of 9.7 per cent in the value of GNP was reduced to a gain of 6.6 per cent when expressed in real terms. The following table shows annual price changes for the major components of GNE over the past three years. From this table it is apparent that there has been a moderate increase in the rate of over-all price increase over the past two years.

Implicit Price Indexes Percentage Change from Preceding Year

	1963	1964	1965
Personal Expenditure	1.5	1.6	2.0
Durable Goods	0.3	-1.0	-0.3
Non-Durable Goods	1.7	1.7	2.0
Total Goods	1.4	1.0	1.4
Food	2.6	1.6	2.6
Non-Food Goods	0.7	0.9	0.8
Services including Net Expenditure Abroad	1.4	2.3	2.8
Government Expenditure	4.1	3.1	4.4
Business Gross Fixed Capital Formation	3.1	4.4	4.3
New Residential Construction	3.4	5.5	4.9
New Non-Residential Construction	3.4	4.4	6.1
New Machinery & Equipment	2.6	3.8	2.6
Final Domestic Demand	2.2	2.4	2.9
Exports	1.2	1.9	1.2
Total Final Demand	2.0	2.3	2.6
Imports	2.9	1.2	0.4
Gross National Expenditure	1.8	2.5	2.9

In 1965 the price component of personal expenditure advanced by 2 per cent, as compared with 1.6 per cent in the preceding year. Prices associated with business gross fixed capital formation exhibited approximately the same rate of increase in both 1964 and 1965, while prices for both exports and imports showed a smaller increase in 1965 than in 1964.

Within personal expenditure, the various components showed somewhat diverse movements. Durable goods prices declined fractionally in 1965 as compared with a 1 per cent decline in 1964. Within 1965, the prices of new automobiles and appliances decreased by approximately one-half of 1 per cent, while prices of furniture increased by 2 per cent. Food prices, increasing by about $2\frac{1}{2}$ per cent largely as the result of greatly increased meat prices brought about by short supply conditions in the United States, dominated the movement of non-durable goods prices. Prices of non-food commodities continued to increase by slightly less than 1 per cent. Prices of services rose by close to 3 per cent in 1965, reflecting advances of $3\frac{1}{2}$ per cent or over in all major components other than rents and communication-related services, both of which increased by about one half of 1 per cent.

Prices associated with residential building showed somewhat less of an increase in 1965 than in 1964. This appeared to be associated with building material prices, wherein the price index of lumber and its products had increased by over 8 per cent in 1964, compared with 5 per cent in 1965, while prices of roofing materials, which had risen by about 6 per cent in 1964, fell by 3 per cent in 1965. The labour component of both the residential and non-residential price indexes increased by somewhat more in 1965 than the $4\frac{1}{2}$ per cent increase recorded in 1964. Shifting expenditure patterns affected machinery and equipment prices both in 1964 and in 1965. Had a fixed pattern of

expenditures been used to estimate price changes the increases in the price of machinery and equipment would have been 3.3 per cent in 1964 and 2.9 per cent in 1965.

Within merchandise exports, price changes were somewhat diverse. The drop in the price of wheat early in 1965 was largely responsible for a $1\frac{1}{2}$ per cent price decline in the food, feed, beverages and tobacco group. Both the crude materials inedible, and the end products inedible groups increased by a little over 1 per cent while the fabricated materials inedible group showed a gain of 2 per cent. Within the last-mentioned group, the price of newsprint showed only a fractional change, while certain metal prices, responding to world market conditions, showed significant increases.

The movement of merchandise import prices was again dominated by changes in the price of sugar, which declined by more than 50 per cent in 1965 relative to 1964. The fractional increase in the over-all import price index resulted from moderate increases in the crude materials inedible and the end products inedible groups, an increase of approximately 3 per cent in the fabricated materials group, and a decrease of over 16 per cent in the food, feed, beverages and tobacco group.

Income Flows

Labour Income

Wages, salaries, and supplementary labour income totalled \$26.0 billion for 1965 and were 11 per cent higher than in 1964. Labour income originating in the goods-producing industries advanced more rapidly than the service-producing group in 1965.

The rise in labour income resulted in part from the continued sharp increase in employment in non-agricultural industries, where expanded job opportunities more than absorbed new entries to the labour force, and the number of unemployed fell. Numbers in the labour force as a proportion of the population 14 and over rose in 1965 to a level not achieved since the late 1940's. In addition to the increased numbers employed, the year also witnessed an appreciable increase in average weekly wages and salaries.

Wages and salaries in the goods-producing industries rose $12\frac{1}{2}$ per cent with the largest gain, 24 per cent, occurring in construction, where about $\frac{2}{3}$ of the increase resulted from a higher volume of labour input. The mining industry advanced 13 per cent and the forestry and manufacturing groups each increased about $10\frac{1}{2}$ per cent. Gains in mining, manufacturing and construction wage and salary payments were the largest recorded in the past decade.

Wages and salaries in the service-producing industries were about $10\frac{1}{2}$ per cent above the 1964 total. The finance and service industries increased about $12\frac{1}{2}$ per cent and wages and salaries in trade advanced $10\frac{1}{2}$ per cent. Somewhat smaller increases were recorded in the transportation, communication and other utilities group, $8\frac{1}{2}$ per cent, and in government non-military wages and salaries, $7\frac{1}{2}$ per cent.

Corporation Profits

Corporation profits (before taxes and before dividends paid to non-residents) reached a new record level of \$5.2 billion in 1965, and were 8 per cent higher than in 1964. Starting the year with a moderate first quarter (about level with the exceptionally high fourth quarter of 1964) profits continued to climb through the second and third quarters before levelling off in the fourth.

Profits in the manufacturing group rose about 7 per cent over last year due to the general strength evident in most industries. Of particular significance were the increases in food and beverages (8 per cent), and metals (15 per cent), the latter reflecting the return to more stable production conditions in the transportation equipment industry. These movements were partly offset by increased costs in the wood and paper industries, the profits of each of which declined 15 per cent.

There was a 9 per cent rise in the profits of the transportation, storage and communication industry. The continued strength of consumer demand contributed to the 15 per cent increase in retail trade profits, while wholesale trade profits showed an upward movement of 10 per cent. The performance of banks and the improved revenues of insurance carriers resulted in a 9 per cent advance in the finance, insurance and real estate group. The profits of service industries continued to grow and increased 22.0 per cent, this rate being second only to that of 1962, the first full year of the current expansion.

The marginal decline in the profits of the mining, quarrying and oil wells group was due to the irregularly high level of foreign dividend receipts in 1964.

Investment Income

Rents, interest and miscellaneous investment income increased by 9 per cent over 1964, one of the larger increases in recent years. This item was marked by an increase in the government component as the profits of government business enterprises and other investment income showed a notable rise. The increase was largest at the provincial level.

Among the other investment income items the rental income of persons showed mixed movements with residential rents declining, reflecting rising expenses, while the rental income of farms increased sharply.

Net Income of Non-Farm Unincorporated Business

Benefitting from strong second and third quarters, net income of non-farm unincorporated business in 1965 reached a level of \$2,877 million, 6 per cent above the 1964 figure. The largest gain, $7\frac{1}{2}$ per cent, was in service industries which contributed more than half to the total increase in the net income of non-farm unincorporated business.

Accrued Net Income of Farm Operators

Accrued net income of farm operators from farm production in 1965 was \$1,645 million, 12 per cent higher than in 1964 but slightly lower than in the bumper crop year 1963. Farm cash receipts, the largest component of farm income, increased 8 per cent and farm operating expenses 5 per cent from the corresponding 1964 data. Both items attained new record levels.

A large part of the increase in the accrued net income of farm operators can be attributed to considerably higher grain production. The value of crop production in 1965 was estimated to have been \$1,301 million, the third highest on record and close to 15 per cent above 1964. On the other hand, value of grain marketings in 1965 was smaller than in 1964.

Reflecting considerably higher receipts from sales of cattle, calves and hogs, livestock production increased 9 per cent above the 1964 level. Sales of potatoes, dairy products and eggs also increased.

Farm Income

	1964	1965	Change <u>1965</u> <u>1964</u>	Per Cent Change <u>1965</u> <u>1964</u>
	(millions of dollars)			
Farm Cash Income	3,456	3,741	285	8.2
Income-In-Kind	368	398	30	8.2
Farm Inventory Change	-99	56	155	-
Gross Income	3,725	4,195	470	12.6
Deduct:				
Farm Operating Expenses	1,957	2,058	101	5.2
Depreciation	349	376	27	7.7
Add:				
Adjustment on Grain Transactions ^{1/}	111	-44	-155	-
Other Adjustments	- 66	-72	-6	-
Accrued Net Income of Farm Operators	1,464	1,645	181	12.4

^{1/} This adjustment takes account of the undistributed profits of the Canadian Wheat Board.

Production by Industry

Gross domestic product less agriculture for the year 1965 was $6\frac{1}{2}$ per cent above the level of the previous year, with manufacturing contributing over one-third of this gain. Most major industry groupings showed increases well over their post-war average rates of growth. The exceptions were the primary industries and the public administration and defence and the finance, insurance and real estate groups from among the service-producing industries. The largest year-to-year gains were recorded by durable manufacturing, electric power and gas utilities, and wholesale trade, all of which increased by about 10 per cent in 1965. Gains of about 8 per cent occurred in construction and transportation, while non-durable manufacturing and retail trade advanced by $5\frac{1}{2}$ and 6 per cent respectively.

The Fourth Quarter

Introduction

Gross National Product rose by 2 per cent in the fourth quarter to an annual rate of \$53.8 billion after allowing for seasonal factors. Prices rose 1 per cent in the final quarter of the year reducing the gain in real terms to about 1 per cent.

The gains in the quarter were marked by the similarity which they bore to the preceding quarter with the exception of imports and government expenditure, both of which at least doubled their rate of increase, and some acceleration in price increases. Total final purchases rose by \$2 billion at annual rates in both periods, and the rate of inventory investment slackened by close to \$150 million in each quarter.

The main contribution came from personal spending which registered a gain of $2\frac{1}{2}$ per cent but a sizeable increase in business investment in plant and machinery also occurred, raising the annual rate in the fourth quarter well towards the anticipated level of outlays in 1966. The 8 per cent increase in machinery and equipment almost certainly contributed towards the deterioration in Canada's balance on current international transactions. A more than $6\frac{1}{2}$ per cent increase in imports well outpaced export gains with a resultant widening in the seasonally adjusted deficit to an annual rate of \$1.5 billion from \$1.1 billion in the third quarter. Government demands on production rose by 3 per cent with the federal and provincial/municipal areas showing approximately similar increases.

On the income side, labour income and rent, interest and miscellaneous investment accounted for almost the total increase. While corporation profits, and both farm and non-farm unincorporated business income showed slight percentage declines, the dollar values of these components showed relatively little change between the third and fourth quarters. The stability in the indirect taxes less subsidies component was due to the fact that increases in indirect taxes were offset by an increase of a like amount in subsidies. Data on non-agricultural production in real terms by industry indicate that gains in the fourth quarter were quite widespread with all major industry groups contributing to the advance.

Components of Expenditure

Total personal expenditure on goods and services, seasonally adjusted at annual rates, reached \$33.3 billion, an increase of $2\frac{1}{2}$ per cent over the third quarter. However, about one third of this advance must be attributed to an upward movement in consumer prices. The increase in consumer expenditure was accompanied by a more than 3 per cent increase in labour income.

Expenditure on goods accounted for 61 per cent of total personal expenditure. The fourth quarter rise of about $2\frac{1}{2}$ per cent in total outlays on goods was a less rapid expansion than in the third quarter as expenditure on new and used cars fell more than 3 per cent below the third quarter level; other durable goods expenditures were higher than in the third quarter.

Non-durable goods, which accounted for 48 per cent of total personal expenditure, advanced to a \$16.1 billion annual rate after a rise of $3\frac{1}{2}$ per cent from the third quarter when the advance was only 2 per cent. Some of this advance is accounted for by higher food prices. The greatest increases in non-durable expenditures were recorded by heating fuel, electricity and gas expenditures which when taken together climbed about 5 per cent; by alcoholic beverage sales which advanced over 4 per cent; and by gas, oil and grease which when taken as a total rose by 4 per cent. Expenditure on these items accounted for about $20\frac{1}{2}$ per cent of total non-durable purchases. On the other hand, tobacco expenditures fell 2 per cent in the fourth quarter after gaining $2\frac{1}{2}$ per cent in the previous period.

During the fourth quarter, services advanced about 3 per cent to reach a seasonally adjusted annual rate of \$13.1 billion. Again the advance in real terms was somewhat dampened by generally advancing prices. For the fourth quarter the dollar advance was general throughout all the components of services.

Business fixed capital formation, including residential construction, rose by $5\frac{1}{2}$ per cent from the third to the fourth quarter to reach an annual rate of \$11.3 billion after allowance for seasonal factors. The estimated increase of some \$590 million was the result of strength in business demands for plant and equipment either to increase capacity or replace existing fixed assets.

The value of housing put in place was virtually unchanged. Housing starts fell from 171,500 to 154,200 at annual rates, while completions edged up slightly to 149,000. The sharp decline in starts in urban areas was mainly concentrated in apartment starts. Direct CMHC loans in support of the winter incentive program helped to offset reduced activity of institutional lenders in both NHA and conventional mortgages. The year end levels of mortgage loan approvals, lower by 20 to 30 per cent than a year earlier, foreshadowed a drop in 1966 starts.

Business outlays on building and engineering plant and equipment amounted to an annual rate of \$9.1 billion, some 7 per cent above the third quarter, with structures up $5\frac{1}{2}$ and equipment up 8 per cent.

Investment in non-farm business inventories in the fourth quarter of 1965, at seasonally adjusted annual rates, was \$696 million as compared with \$1,108 million in the first quarter, \$980 million in the second quarter and \$836 million in the third quarter of 1965. The drop in the rate of accumulation in the fourth quarter was due to the reduced rate of stock building in retail and wholesale trade. Manufacturers were the largest contributors to the total accumulation in the fourth quarter and this demand for stocks towards the end of the period was in part reflected in the high level of merchandise imports.

Investment in manufacturers' stocks contributed 70 per cent to the total accumulation of business holdings. The considerable advance in the durables component formed the basis for this growth, with particular strength occurring in the primary metal, metal fabricating, machinery, and transportation industries. Offsetting movements in the non-durable goods producing industries left, on balance, a very small accumulation in this group.

Related information indicates that stock accumulation took place at all stages of production, most noticeably in goods-in-process. The ratio of stock-to-shipments was below the average of the current economic expansion. Continued advances in business investment and in consumer expenditures were reflected in a rising flow of new orders and shipments leaving the rate of increase in unfilled orders almost unchanged from the previous quarter.

Investment at the wholesale level showed a moderate accumulation. A considerable amount of build-up which occurred in durables, mainly in industrial and transportation equipment and supplies, and commercial, institutional and service equipment and supplies groups, was to some extent offset by a liquidation in the stocks of all non-durable goods. For the industry as a whole the stock-to-sales ratio was below the average of the current economic expansion.

Within retail trade, modest increases were recorded both in durables and non-durables. In the non-durables, offsetting movements resulted in a very small stock accumulation. In the durable goods a small liquidation in the stocks of the rest of durables was more than offset by a substantial build-up of stocks of motor vehicle dealers. The stock-to-sales ratio in the current quarter was above the average of the current economic expansion.

The deficit in the external account moved from a seasonally adjusted annual rate of \$1,076 million in the third quarter to \$1,504 million in the fourth. The change of \$428 million resulted from a turn-round of \$304 million from surplus to deficit in merchandise trade augmenting a worsening by \$124 million in non-merchandise trade.

Exports and Imports of Goods and Services
(Seasonally adjusted at annual rates)

	Goods			Services			Current balance
	Exports	Imports	Net	Exports	Imports	Net	
(millions of dollars)							
1964 - 1st quarter	7,864	7,448	416	2,228	3,372	-1,144	-728
2nd quarter	8,492	7,552	940	2,204	3,268	-1,064	-124
3rd quarter	8,524	7,524	1,000	2,240	3,372	-1,132	-132
4th quarter	8,080	7,636	444	2,396	3,504	-1,108	-664
1965 - 1st quarter	8,268	8,120	148	2,356	3,468	-1,112	-964
2nd quarter	8,552	8,312	240	2,420	3,680	-1,260	-1,020
3rd quarter	8,812	8,652	160	2,504	3,740	-1,236	-1,076
4th quarter	9,316	9,460	-144	2,396	3,756	-1,360	-1,504
3rd to 4th 1965 (per cent)	5.7	9.3		-4.3	0.4		

Discounting seasonality, export gains were made in aluminum, copper, iron, nickel, and zinc; in other materials such as crude petroleum, natural gas, asbestos, lumber, wood pulp and fertilizers; and in end products such as agricultural machinery. Declines were recorded in wheat clearances, fish and non-agricultural machinery. Data are not yet available to identify import commodity changes corrected for seasonal factors.

The worsening in services transactions was mainly concentrated in the travel account, the interest and dividend income account and, to a smaller degree, in the freight and shipping account.

Government Sector

Seasonally adjusted at annual rates, total revenues of all governments combined (excluding intergovernmental transfers) increased by almost 4 per cent from the third quarter to a level of \$17,152 million in the fourth quarter. All components showed increases of varying degree with the largest absolute increase occurring in indirect taxes and investment income.

Expenditures of all governments combined increased by 3 per cent, to a level of \$16,752 million in the fourth quarter of 1965. Almost half of the increase was accounted for by higher expenditures on goods and services by all governments. Subsidies increased substantially, the result of a large interim payment to the railways made during the quarter.

With revenues at the provincial-municipal level increasing more sharply than expenditures and with the surplus at the federal level remaining relatively constant the surplus on a national accounts basis, of all governments combined, rose from a seasonally adjusted rate of \$244 to \$400 million between the third and fourth quarter of 1965.

Price Movements

One-half of the two per cent gain in the value of GNP between the third and fourth quarters resulted from higher prices. With the exception of exports, prices of all major GNE components increased by more in the fourth quarter than they had in the third quarter. The following table shows quarter-to-quarter price changes for GNE and its components throughout the year 1965.

Implicit Price Indexes, Seasonally Adjusted
Percentage Change from the Preceding Quarter

	<u>1965</u>			
	4th to 1st	1st to 2nd	2nd to 3rd	3rd to 4th
Personal Expenditure	0.3	0.8	0.4	0.7
Durable Goods	-0.3	-0.1	-0.3	-0.1
Non-durable Goods	0.4	1.2	0.5	0.8
Total Goods	0.2	0.9	0.2	0.6
Non-food Goods	0.1	0.2	0.1	0.3
Food	0.5	2.2	0.5	1.4
Services	0.6	0.7	0.8	0.7
Government Expenditures	1.5	0.7	0.7	2.1 ^{1/}
New Residential Construction	1.2	1.4	0.4	1.5
New Non-Residential Construction	2.1	2.0	0.5	1.8
New Machinery and Equipment	2.1	-0.3	-	0.6
Final Domestic Demand	0.9	0.8	0.4	1.1
Exports	-0.1	0.5	1.1	0.4
Total Final Purchases	0.7	0.7	0.6	0.9
Imports	0.4	-0.3	0.5	0.7
Gross National Expenditure	0.5	1.0	0.6	1.0

^{1/} Quarter to Quarter price changes for this component cannot be measured with precision.

The price component of personal expenditure advanced by 0.7 per cent between the third and fourth quarters. As noted in the table, prices of food were largely responsible for the advance of 0.6 per cent in the price of goods. Prices of non-food commodities increased only fractionally, partly reflecting a continued slight decline in prices of durable goods. Service prices continued to advance by a little over one-half of one per cent with rents again showing only a fractional increase.

Preliminary data suggest that consumer prices advanced by close to 1½ per cent between the fourth quarter 1965 and the first quarter 1966. Much of this increase resulted from a significant increase in the prices of food.

Prices of the components of business gross fixed capital formation showed some acceleration in the fourth quarter, traceable mainly to pronounced advances in the labour component of the construction price indexes.

Prices of merchandise exports advanced by about one-half of one per cent during the quarter. There was little change in the price of fabricated materials inedible, crude products inedible, and of end products. However, prices of food, feed, beverages and tobacco advanced by 2 per cent, reflecting increases in the prices of wheat, tobacco and other foodstuffs.

Income Flows

Seasonally adjusted labour income, at \$27.2 billion, rose about 3 per cent in the fourth quarter, a somewhat accelerated rate of increase from the third quarter, already high by reason of retroactive payments. Much the highest rate of increase occurred in the goods-producing industries, where a rise of about 5 per cent contrasts with one of nearly 2 per cent in the service-producing industries.

Among the goods-producing industries, the greatest rate of gain was in construction; the 11 per cent increase was the largest since the first quarter of 1956. Labour income in manufacturing advanced over 4 per cent in the fourth quarter, the largest increase since the fourth quarter of 1952.

The 2 per cent increase in seasonally adjusted labour income in the service-producing industries in the fourth quarter was considerably lower than the gain in the third when it had been unusually high because of retroactive payments. But for this factor, the rate of increase in the two quarters would have been much the same. There were gains in labour income in all the service industries except government service where it declined nearly 2 per cent, largely in reflection of retroactive payments in the third quarter.

Corporation profits in the fourth quarter 1965, dipped to a seasonally adjusted annual rate of \$5.3 billion, about 1 per cent below the preceding quarter. In the manufacturing group the paper, metals, and petroleum and coal industries displayed some weakness, outweighing the small gains within the group. Retail trade, and finance, insurance and real estate also declined. Increases were registered by transportation, storage and communication, and wholesale trade.

Rents, interest and miscellaneous investment income increased \$284 million or 8 per cent from the third to the fourth quarter. This unusually large increase can be attributed to the profits of government business enterprises which reflect that portion of the interim subsidy payments to railways received by the C.N.R.

Accrued net income of farm operators from farm production, seasonally adjusted at annual rates, declined 2 per cent from the third quarter, to \$1,740 million. Income from grain production decreased nearly 4 per cent, mainly due to a drop in the profits of the Canadian Wheat Board, and income from production of livestock, notably cattle and calves, showed a similar decrease. Higher receipts from sales of other farm products partially offset the decline in grain and livestock production.

Production by Industry

Seasonally adjusted real domestic product at factor cost, less agriculture, for the fourth quarter of 1965 was about 2 per cent higher than in the preceding quarter, and over 30 per cent above its first quarter 1961 level. More than two-thirds of the aggregate gain in the fourth quarter came from manufacturing, trade, and electric power and gas utilities, with increases in all the other major components contributing the rest.

Manufacturing, with a 3 per cent gain, was the largest single contributor to the fourth quarter increase, accounting for about 40 per cent of the advance in non-agricultural real output. More than half of the gain in manufacturing came from durables which advanced by 4 per cent, while non-durables increased by $2\frac{1}{2}$ per cent.

Within the durable manufacturing component, all major groups showed increases in the fourth quarter, ranging from 2 to $7\frac{1}{2}$ per cent. The largest contributors to the gain in durables were wood products which advanced by $7\frac{1}{2}$ per cent, and transportation equipment, up by $4\frac{1}{2}$ per cent. The latter group owed the major part of its advance to continued strong gains in motor vehicles and parts production, which has more than doubled since the beginning of the current expansion. The electrical apparatus and non-ferrous metal groups recorded increases of more than 3 per cent, as did most of the components of the non-metallic minerals group.

Within non-durables manufacturing, increases were shown by all major groups except textiles and petroleum products. The 4 per cent gain in foods and beverages and the 5 per cent advance in chemical products jointly accounted for about two-thirds of the increase in non-durable manufacturing. Gains of over 4 per cent were also recorded by printing and publishing, and tobacco products.

The next largest contributions to the gain in non-agricultural real output came from trade, which advanced by 2 per cent, electric power and gas utilities, up $7\frac{1}{2}$ per cent, and construction, which recorded a $3\frac{1}{2}$ per cent increase. Jointly they accounted for over one-third of the aggregate gain. Within trade, the wholesale group showed a stronger increase than did retail trade, although gains were widespread among individual components of both groups. Motor vehicle dealers, grocery and clothing stores, fuel dealers, and farm implement and feed stores were among the retail trades showing the largest gains, while in wholesale trade, sales of commercial, institutional and industrial equipment and construction materials and supplies recorded the highest increases.

The other major industry groupings showed increases ranging from one-half of one per cent in finance, insurance and real estate to 6 per cent in fishing and trapping. Fairly strong gains in air, water and railway transport accounted for most of the 2 per cent increase in transportation. In mining, the fourth quarter advances in metal and non-metal mining were dampened by a drop in the fuel mining component, resulting in an increase in the aggregate of over 1 per cent.

TABLES UNADJUSTED FOR SEASONAL VARIATION

TABLE 1. National Income and Gross National Product, by Quarters, 1961-65
(millions of dollars)

No.		1961					1962				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Wages, salaries, and supplementary labour income	4,448	4,733	4,940	4,875	18,996	4,763	5,060	5,242	5,168	20,233
2	Military pay and allowances	129	140	137	144	550	147	152	145	142	586
3	Corporation profits before taxes	606	918	942	961	3,427	759	1,049	989	1,022	3,819
4	Deduct: Dividends paid to non-residents(1)	- 164	- 122	- 128	- 172	- 586	- 131	- 155	- 120	- 178	- 584
5	Rent, interest and miscellaneous investment income	628	628	685	729	2,670	670	681	675	806	2,832
6	Accrued net income of farm operators from farm production(2)	87	135	676	110	1,008	50	119	1,195	132	1,496
7	Net income of non-farm unincorporated business(3)	444	558	565	707	2,274	503	615	578	705	2,401
8	Inventory valuation adjustment(4) ...	- 10	- 11	- 41	- 27	- 89	- 29	- 43	- 51	- 7	- 130
9	NET NATIONAL INCOME AT FACTOR COST ..	6,168	6,979	7,776	7,327	28,250	6,732	7,478	8,653	7,790	30,653
10	Indirect taxes less subsidies	1,121	1,174	1,153	1,248	4,696	1,265	1,320	1,373	1,335	5,293
11	Capital consumption allowances and miscellaneous valuation adjustments	1,073	1,136	1,151	1,180	4,540	1,146	1,235	1,235	1,276	4,892
12	Residual error of estimate	- 80	- 60	54	71	- 15	- 130	- 169	30	6	- 263
13	GROSS NATIONAL PRODUCT AT MARKET PRICES	8,282	9,229	10,134	9,826	37,471	9,013	9,864	11,291	10,407	40,575
14	(Gross national product at market prices excluding accrued net income of farm operators)	(8,195)	(9,094)	(9,458)	(9,716)	(36,463)	(8,963)	(9,745)	(10,096)	(10,275)	(39,079)

(1) Includes the withholding tax applicable to this item.

(2) Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

TABLE 2. Gross National Expenditure, by Quarters, 1961-65
(millions of dollars)

No.		1961					1962				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal expenditure on consumer goods and services	5,615	6,102	6,049	6,700	24,466	6,053	6,483	6,294	7,096	25,926
2	Government expenditure on goods and services(1, 2)	1,561	1,767	2,029	1,879	7,236	1,698	1,957	2,120	1,942	7,717
3	Business gross fixed capital formation(3)	1,302	1,713	1,875	1,745	6,635	1,382	1,817	1,931	1,830	6,960
4	New residential construction	269	365	421	403	1,458	293	392	457	435	1,577
5	New non-residential construction ..	443	647	851	742	2,683	479	650	794	715	2,638
6	New machinery and equipment	590	701	603	600	2,494	610	775	680	680	2,745
7	Value of physical change in inventories(4)	45	- 117	279	- 177	30	69	- 201	1,014	- 350	532
8	Non-farm business inventories	272	- 5	- 75	247	439	316	- 77	54	17	310
9	Farm inventories and grain in commercial channels	- 227	- 112	354	- 424	- 409	- 247	- 124	960	- 367	222
10	Exports of goods and services	1,587	1,874	2,127	2,043	7,631	1,735	2,083	2,257	2,184	8,259
11	Deduct: Imports of goods and services	- 1,908	- 2,170	- 2,171	- 2,293	- 8,542	- 2,054	- 2,444	- 2,294	- 2,290	- 9,082
12	Residual error of estimate	80	60	54	71	15	130	169	31	5	263
13	GROSS NATIONAL EXPENDITURE AT MARKET PRICES	8,282	9,229	10,134	9,826	37,471	9,013	9,864	11,291	10,407	40,575

(1) Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

(2) For details of defence expenditures see line 3, Table 6.

(3) Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

TABLE 1. National Income and Gross National Product, by Quarters, 1961-65
(millions of dollars)

1963					1964					1965					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
5,058	5,358	5,566	5,565	21,547	5,482	5,809	6,074	6,068	23,433	6,026	6,431	6,741	6,835	26,033	1
136	157	148	157	598	140	150	147	146	583	145	153	149	140	587	2
827	1,154	1,075	1,132	4,188	972	1,313	1,204	1,330	4,819	1,055	1,409	1,330	1,405	5,199	3
- 150	- 123	- 124	- 217	- 614	- 181	- 126	- 145	- 261	- 713	- 178	- 155	- 161	- 257	- 751	4
713	741	769	855	3,078	786	766	812	898	3,262	833	845	874	1,002	3,554	5
45	135	1,372	169	1,721	12	186	1,118	148	1,464	10	100	1,305	230	1,645	6
530	636	614	771	2,551	557	666	654	843	2,720	581	720	712	864	2,877	7
- 28	- 77	- 42	- 53	- 200	- 44	- 90	25	- 22	- 131	- 41	- 117	- 55	- 112	- 325	8
7,131	7,981	9,378	8,379	32,869	7,724	8,674	9,889	9,150	35,437	8,431	9,386	10,895	10,107	38,819	9
1,368	1,347	1,419	1,466	5,600	1,512	1,599	1,642	1,619	6,372	1,693	1,780	1,841	1,858	7,172	10
1,215	1,301	1,291	1,391	5,198	1,325	1,404	1,392	1,479	5,600	1,432	1,546	1,516	1,616	6,110	11
- 153	- 151	36	25	- 243	- 65	- 68	69	58	- 6	- 133	- 60	33	55	- 105	12
9,561	10,478	12,124	11,261	43,424	10,496	11,609	12,992	12,306	47,403	11,423	12,652	14,285	13,636	51,996	13
(9,516)	(10,343)	(10,752)	(11,092)	(41,703)	(10,484)	(11,423)	(11,874)	(12,158)	(45,939)	(11,413)	(12,552)	(12,980)	(13,406)	(50,351)	14

(3) Includes net income of independent professional practitioners.

(4) See footnote 4, Table 2.

TABLE 2. Gross National Expenditure, by Quarters, 1961-65
(millions of dollars)

1963					1964					1965					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
6,363	6,836	6,707	7,581	27,487	6,909	7,356	7,244	8,157	29,666	7,310	7,976	7,828	8,949	32,063	1
1,823	1,981	2,221	2,050	8,075	1,948	2,154	2,323	2,229	8,654	2,091	2,427	2,606	2,472	9,596	2
1,424	1,975	2,099	2,093	7,591	1,879	2,335	2,381	2,508	9,103	2,078	2,578	2,792	2,976	10,424	3
299	413	477	518	1,707	462	451	513	595	2,021	469	510	548	597	2,124	4
452	710	869	804	2,835	570	810	1,017	961	3,358	685	893	1,195	1,182	3,955	5
673	852	753	771	3,049	847	1,074	851	952	3,724	924	1,175	1,049	1,197	4,345	6
24	- 263	1,107	- 333	535	25	- 158	896	- 377	386	214	- 15	1,085	- 336	948	7
263	- 176	- 6	163	244	313	32	156	15	516	492	96	164	153	905	8
- 239	- 87	1,113	- 496	291	- 288	- 190	740	- 392	- 130	- 278	- 111	921	- 489	43	9
1,857	2,258	2,478	2,518	9,111	2,144	2,724	2,922	2,717	10,507	2,264	2,764	3,093	3,035	11,156	10
- 2,083	- 2,461	- 2,452	- 2,622	- 9,618	- 2,474	- 2,870	- 2,705	- 2,870	- 10,919	- 2,667	- 3,138	- 3,086	- 3,406	- 12,297	11
153	152	- 36	- 26	243	65	68	- 69	- 58	6	133	60	- 33	- 54	106	12
9,561	10,478	12,124	11,261	43,424	10,496	11,609	12,992	12,306	47,403	11,423	12,652	14,285	13,636	51,996	13

(4) The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 8, Table 1).

TABLE 3. Source of Personal Income, by Quarters, 1961-65
(millions of dollars)

No.		1961					1962				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Wages, salaries, and supplementary labour income	4,448	4,733	4,940	4,875	18,996	4,763	5,060	5,242	5,168	20,233
2	Deduct: Employer and employee contributions to social insurance and government pension funds	- 197	- 189	- 202	- 199	- 787	- 200	- 195	- 208	- 209	- 812
3	Military pay and allowances	129	140	137	144	550	147	152	145	142	586
4	Net income received by farm operators from farm production(1)	107	114	660	97	978	19	217	1,152	102	1,490
5	Net income of non-farm unincorporated business	444	558	565	707	2,274	503	615	578	705	2,401
6	Interest, dividends and net rental income of persons(2)	727	751	755	797	3,030	783	820	819	883	3,305
	Transfer payments to persons:										
7	From government (excluding interest)	980	853	785	823	3,441	1,065	918	837	905	3,725
8	Charitable contributions by corporations	10	10	10	10	40	11	11	11	11	44
9	PERSONAL INCOME	6,648	6,970	7,650	7,254	28,522	7,091	7,598	8,576	7,707	30,972

(1) This item differs from line 6, of Table 1, by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 4. Disposition of Personal Income, by Quarters, 1961-65
(millions of dollars)

No.		1961					1962				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal direct taxes	577	678	627	629	2,511	632	724	680	693	2,729
2	Income taxes	454	586	540	545	2,125	503	627	587	599	2,316
3	Succession duties and estate taxes	37	33	38	38	146	41	40	43	41	165
4	Miscellaneous	86	59	49	46	240	88	57	50	53	248
5	Personal expenditure on consumer goods and services	5,615	6,102	6,049	6,700	24,466	6,053	6,483	6,294	7,096	25,926
6	Non-durable goods	2,734	2,937	3,016	3,491	12,178	2,966	3,098	3,203	3,698	12,965
7	Durable goods	556	750	648	762	2,716	645	838	632	845	2,960
8	Services(1)	2,325	2,415	2,385	2,447	9,572	2,442	2,547	2,459	2,553	10,001
9	Personal net saving	456	190	974	- 75	1,545	406	391	1,602	- 82	2,317
10	Personal saving excluding change in farm inventories	648	260	632	283	1,823	580	421	758	382	2,141
11	Value of physical change in farm inventories	- 192	- 70	342	- 358	- 278	- 174	- 30	844	- 464	176
12	PERSONAL INCOME	6,648	6,970	7,650	7,254	28,522	7,091	7,598	8,576	7,707	30,972
13	(Personal disposable income)(2)	(6,071)	(6,292)	(7,023)	(6,625)	(26,011)	(6,459)	(6,874)	(7,896)	(7,014)	(28,243)

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 3. Source of Personal Income, by Quarters, 1961-65
(millions of dollars)

1963					1964					1965					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
5,058	5,358	5,566	5,565	21,547	5,482	5,809	6,074	6,068	23,433	6,026	6,431	6,741	6,835	26,033	1
- 210	- 204	- 219	- 219	- 852	- 223	- 222	- 233	- 234	- 912	- 232	- 231	- 247	- 249	- 959	2
136	157	148	157	598	140	150	147	146	583	145	153	149	140	587	3
16	186	1,315	65	1,582	162	97	1,020	74	1,353	262	55	1,226	146	1,689	4
530	636	614	771	2,551	557	666	654	843	2,720	581	720	712	864	2,877	5
856	900	896	964	3,616	920	951	936	992	3,799	998	1,015	1,019	1,097	4,129	6
1,023	976	892	957	3,848	1,119	1,025	979	1,010	4,133	1,204	1,104	1,096	1,098	4,502	7
11	11	11	11	44	11	11	11	11	44	11	11	11	11	44	8
7,420	8,020	9,223	8,271	32,934	8,168	8,487	9,588	8,910	35,153	8,995	9,258	10,707	9,942	38,902	9

TABLE 4. Disposition of Personal Income, by Quarters, 1961-65
(millions of dollars)

1963					1964					1965					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
683	748	725	760	2,916	768	916	856	888	3,428	911	1,044	958	999	3,912	1
556	646	628	657	2,487	624	801	756	776	2,957	746	914	830	865	3,355	2
36	41	44	50	171	41	55	37	46	179	42	49	60	58	209	3
91	61	53	53	258	103	60	63	66	292	123	81	68	76	348	4
6,363	6,836	6,707	7,581	27,487	6,909	7,356	7,244	8,157	29,666	7,310	7,976	7,828	8,949	32,063	5
3,091	3,212	3,367	3,848	13,518	3,259	3,408	3,578	4,144	14,389	3,417	3,663	3,847	4,507	15,434	6
680	915	691	960	3,246	805	1,002	803	982	3,592	827	1,115	889	1,170	4,001	7
2,592	2,709	2,649	2,773	10,723	2,845	2,946	2,863	3,031	11,685	3,066	3,198	3,092	3,272	12,628	8
374	436	1,791	- 70	2,531	491	215	1,488	- 135	2,059	774	238	1,921	- 6	2,927	9
593	487	761	379	2,220	757	338	740	323	2,158	1,029	326	984	532	2,871	10
- 219	- 51	1,030	- 449	311	- 266	- 123	748	- 458	- 99	- 255	- 88	937	- 538	56	11
7,420	8,020	9,223	8,271	32,934	8,168	8,487	9,588	8,910	35,153	8,995	9,258	10,707	9,942	38,902	12
(6,737)	(7,272)	(8,498)	(7,511)	(30,018)	(7,400)	(7,571)	(8,732)	(8,022)	(31,725)	(8,084)	(8,214)	(9,749)	(8,943)	(34,990)	13

TABLE 5. Government Revenue, by Quarters, 1961-65
(millions of dollars)

No.		1961					1962				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Direct taxes - Persons	577	678	627	629	2,511	632	724	680	693	2,729
2	Federal	461	582	543	546	2,132	468	563	526	531	2,088
3	Provincial and municipal	116	96	84	83	379	164	161	154	162	641
4	Direct taxes - Corporations	302	422	442	446	1,612	362	456	441	451	1,710
5	Federal	246	343	359	363	1,311	271	341	330	337	1,279
6	(Federal tax collections)	(297)	(360)	(314)	(296)	(1,267)	(317)	(367)	(322)	(288)	(1,294)
7	Provincial	56	79	83	83	301	91	115	111	114	431
8	(Provincial tax collections)	(76)	(70)	(74)	(64)	(284)	(91)	(76)	(101)	(91)	(359)
	Withholding taxes:										
9	Federal(1)	30	27	24	35	116	26	35	23	41	125
10	Indirect taxes	1,167	1,225	1,250	1,305	4,947	1,328	1,387	1,437	1,433	5,585
11	Federal	496	553	555	586	2,190	528	596	635	642	2,401
12	Provincial and municipal	671	672	695	719	2,757	800	791	802	791	3,184
13	Investment income	235	253	295	343	1,126	275	292	280	404	1,251
14	Federal	73	87	116	133	409	73	105	84	186	448
15	Provincial and municipal	162	166	179	210	717	202	187	196	218	803
16	Employer and employee contributions to social insurance and government pension funds	197	189	202	199	787	200	195	208	209	812
17	Federal	129	120	130	131	510	129	122	133	134	518
18	Provincial and municipal	68	69	72	68	277	71	73	75	75	294
	Transfers from Federal:										
19	Provincial and municipal	260	298	283	287	1,128	299	257	277	301	1,134
20	TOTAL REVENUE	2,768	3,092	3,123	3,244	12,227	3,122	3,346	3,346	3,532	13,346
21	FEDERAL	1,435	1,712	1,727	1,794	6,668	1,495	1,762	1,731	1,871	6,859
22	PROVINCIAL AND MUNICIPAL	1,333	1,380	1,396	1,450	5,559	1,627	1,584	1,615	1,661	6,487

(1) Beginning in 1962, the withholding tax series has been adjusted to conform more closely with the flow of interest and dividends to non-residents.

TABLE 5. Government Revenue, by Quarters, 1961-65
(millions of dollars)

1963					1964					1965					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
683	748	725	760	2,916	768	916	856	888	3,428	911	1,044	958	999	3,912	1
488	572	555	578	2,193	549	699	648	662	2,558	621	757	661	676	2,715	2
195	176	170	182	723	219	217	208	226	870	290	287	297	323	1,197	3
387	490	460	490	1,827	428	535	500	533	1,996	447	580	544	593	2,164	4
289	365	343	365	1,362	321	402	375	400	1,498	335	435	408	445	1,623	5
(305)	(373)	(338)	(312)	(1,328)	(324)	(521)	(375)	(385)	(1,605)	(359)	(566)	(396)	(394)	(1,715)	6
98	125	117	125	465	107	133	125	133	498	112	145	136	148	541	7
(114)	(104)	(128)	(101)	(447)	(116)	(126)	(134)	(116)	(492)	(145)	(140)	(151)	(116)	(552)	8
31	30	23	43	127	30	34	25	51	140	37	44	29	58	168	9
1,423	1,437	1,503	1,548	5,911	1,577	1,664	1,719	1,735	6,695	1,745	1,836	1,924	1,977	7,482	10
551	592	621	687	2,451	616	719	739	773	2,847	689	800	845	913	3,247	11
872	845	882	861	3,460	961	945	980	962	3,848	1,056	1,036	1,079	1,064	4,235	12
305	339	344	407	1,395	346	345	379	456	1,526	377	397	402	512	1,688	13
96	134	128	152	510	122	123	143	182	570	123	153	145	197	618	14
209	205	216	255	885	224	222	236	274	956	254	244	257	315	1,070	15
210	204	219	219	852	223	222	233	234	912	232	231	247	249	959	16
134	126	136	138	534	142	140	145	147	574	148	144	154	156	602	17
76	78	83	81	318	81	82	88	87	338	84	87	93	93	357	18
304	311	266	288	1,169	298	326	305	323	1,252	386	367	313	361	1,427	19
3,343	3,559	3,540	3,755	14,197	3,670	4,042	4,017	4,220	15,949	4,135	4,499	4,417	4,749	17,800	20
1,589	1,819	1,806	1,963	7,177	1,780	2,117	2,075	2,215	8,187	1,953	2,333	2,242	2,445	8,973	21
1,754	1,740	1,734	1,792	7,020	1,890	1,925	1,942	2,005	7,762	2,182	2,166	2,175	2,304	8,827	22

TABLE 6. Government Expenditure, by Quarters, 1961-65
(millions of dollars)

No.		1961					1962				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Goods and services	1,561	1,767	2,029	1,879	7,236	1,698	1,957	2,120	1,942	7,717
2	Federal	689	716	811	766	2,982	759	767	776	723	3,025
3	(Defence)	(436)	(366)	(391)	(420)	(1,613)	(471)	(402)	(398)	(409)	(1,680)
4	Provincial and municipal	872	1,051	1,218	1,113	4,254	939	1,190	1,344	1,219	4,692
5	Transfer payments to persons (exclud- ing interest on the public debt) ...	980	853	785	823	3,441	1,065	918	837	905	3,725
6	Federal	600	516	423	467	2,006	663	521	451	477	2,112
7	Provincial and municipal	380	337	362	356	1,435	402	397	386	428	1,613
8	Interest on the public debt	261	308	290	311	1,170	292	339	325	349	1,305
9	Federal	183	203	200	200	786	200	219	230	217	866
10	Provincial and municipal	78	105	90	111	384	92	120	95	132	439
11	Subsidies	46	51	97	57	251	63	67	64	98	292
12	Federal	42	48	83	48	221	57	63	50	90	260
13	Provincial	4	3	14	9	30	6	4	14	8	32
	Capital Assistance: (2)										
14	Federal	1	2	1	2	6	3	4	11	9	27
	Transfers to other levels of government:										
15	Federal	260	298	283	287	1,128	299	257	277	301	1,134
16	Total expenditure	3,109	3,279	3,485	3,359	13,232	3,420	3,542	3,634	3,604	14,200
17	Federal	1,775	1,783	1,801	1,770	7,129	1,981	1,831	1,795	1,817	7,424
18	Provincial and municipal	1,334	1,496	1,684	1,589	6,103	1,439	1,711	1,839	1,787	6,776
19	Deficit (-) or surplus (+)	- 341	- 187	- 362	- 115	- 1,005	- 298	- 196	- 288	- 72	- 854
20	Federal	- 340	- 71	- 74	24	- 461	- 486(1)	- 69	- 64	54	- 565
21	Provincial and municipal	- 1	- 116	- 288	- 139	- 544	188(1)	- 127	- 224	- 126	- 289
22	TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	2,768	3,092	3,123	3,244	12,227	3,122	3,346	3,346	3,532	13,346
23	FEDERAL	1,435	1,712	1,727	1,794	6,668	1,495	1,762	1,731	1,871	6,859
24	PROVINCIAL AND MUNICIPAL	1,333	1,380	1,396	1,450	5,559	1,627	1,584	1,615	1,661	6,487

(1) In this quarter the federal deficit is irregularly high by about \$75 million and the provincial - municipal surplus also correspondingly high as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements.

TABLE 6. Government Expenditure, by Quarters, 1961-65
(millions of dollars)

1963					1964					1965					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
1,823	1,981	2,221	2,050	8,075	1,948	2,154	2,323	2,229	8,654	2,091	2,427	2,606	2,472	9,596	1
731	707	776	720	2,934	780	738	781	747	3,046	823	761	866	817	3,267	2
(410)	(374)	(390)	(398)	(1,572)	(455)	(379)	(362)	(388)	(1,584)	(460)	(352)	(380)	(370)	(1,562)	3
1,092	1,274	1,445	1,330	5,141	1,168	1,416	1,542	1,482	5,608	1,268	1,666	1,740	1,655	6,329	4
1,023	976	892	957	3,848	1,119	1,025	979	1,010	4,133	1,204	1,104	1,096	1,098	4,502	5
626	533	461	513	2,133	633	566	505	535	2,239	657	594	534	531	2,316	6
397	443	431	444	1,715	486	459	474	475	1,894	547	510	562	567	2,186	7
323	375	348	377	1,423	350	404	366	406	1,526	375	436	389	435	1,635	8
216	244	243	232	935	236	259	253	247	995	253	271	262	266	1,052	9
107	131	105	145	488	114	145	113	159	531	122	165	127	169	583	10
55	90	84	82	311	65	65	77	116	323	52	56	83	119	310	11
51	86	64	74	275	61	60	51	105	277	44	50	56	109	259	12
4	4	20	8	36	4	5	26	11	46	8	6	27	10	51	13
15	13	21	12	61	20	28	22	12	82	20	21	21	22	84	14
304	311	266	288	1,169	298	326	305	323	1,252	386	367	313	361	1,427	15
3,543	3,746	3,832	3,766	14,887	3,800	4,002	4,072	4,096	15,970	4,128	4,411	4,508	4,507	17,554	16
1,943	1,894	1,831	1,839	7,507	2,028	1,977	1,917	1,969	7,891	2,183	2,064	2,052	2,106	8,405	17
1,600	1,852	2,001	1,927	7,380	1,772	2,025	2,155	2,127	8,079	1,945	2,347	2,456	2,401	9,149	18
- 200	- 187	- 292	- 11	- 690	- 130	40	- 55	124	- 21	7	88	- 91	242	246	19
- 354	- 75	- 25	124	- 330	- 248	140	158	246	296	- 230	269	190	339	568	20
154	- 112	- 267	- 135	- 360	118	- 100	- 213	- 122	- 317	237	- 181	- 281	- 97	- 322	21
3,343	3,559	3,540	3,755	14,197	3,670	4,042	4,017	4,220	15,949	4,135	4,499	4,417	4,749	17,800	22
1,589	1,819	1,806	1,963	7,177	1,780	2,117	2,075	2,215	8,187	1,953	2,333	2,242	2,445	8,973	23
1,754	1,740	1,734	1,792	7,020	1,890	1,925	1,942	2,005	7,762	2,182	2,166	2,175	2,304	8,827	24

(2) From 1961 on, this item is treated as government current expenditure; prior to 1961, it was treated as a capital transfer.

TABLE 7. Source of National Saving, by Quarters, 1961-65
(millions of dollars)

No.		1961					1962				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal net saving	456	190	974	- 75	1,545	406	391	1,602	- 82	2,317
2	Business gross saving	1,081	1,428	1,431	1,393	5,333	1,313	1,441	1,584	1,524	5,862
3	Undistributed corporation profits ...	27	269	263	198	757	133	300	295	209	937
4	Capital consumption allowances and miscellaneous valuation adjustments	1,073	1,136	1,151	1,180	4,540	1,146	1,235	1,235	1,276	4,892
5	Adjustment on grain transac- tions(1)	- 20	21	16	13	30	31	- 98	43	30	6
6	Capital assistance	1	2	1	2	6	3	4	11	9	27
7	Inventory valuation adjustment	- 10	- 11	- 41	- 27	- 89	- 29	- 43	- 51	- 7	- 130
8	Government surplus (+) or deficit (-)	- 341	- 187	- 362	- 115	- 1,005	- 298	- 196	- 288	- 72	- 854
9	Residual error of estimate	- 80	- 60	54	71	- 15	- 130	- 169	30	6	- 263
10	Totals	1,106	1,360	2,056	1,247	5,769	1,262	1,424	2,877	1,369	6,932

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 8. Disposition of National Saving, by Quarters, 1961-65
(millions of dollars)

No.		1961					1962				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Business gross fixed capital formation	1,302	1,713	1,875	1,745	6,635	1,382	1,817	1,931	1,830	6,960
2	New residential construction	269	365	421	403	1,458	293	392	457	435	1,577
3	New non-residential construction	443	647	851	742	2,683	479	650	794	715	2,638
4	New machinery and equipment	590	701	603	600	2,494	610	775	680	680	2,745
5	Value of physical change in inventories	45	- 117	279	- 177	30	69	- 201	1,014	- 350	532
6	Surplus (+) or deficit (-) on current account with non-residents	- 321	- 296	- 44	- 250	- 911	- 319	- 361	- 37	- 106	- 823
7	Residual error of estimate	80	60	- 54	- 71	15	130	169	- 31	- 5	263
8	Totals	1,106	1,360	2,056	1,247	5,769	1,262	1,424	2,877	1,369	6,932

TABLE 7. Source of National Saving, by Quarters, 1961-65
(millions of dollars)

1963					1964					1965					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
374	436	1,791	- 70	2,531	491	215	1,488	- 135	2,059	774	238	1,921	- 6	2,927	1
1,382	1,640	1,703	1,739	6,464	1,387	2,002	1,898	1,895	7,182	1,415	2,100	2,043	2,036	7,594	2
123	377	334	232	1,066	192	481	386	330	1,389	215	488	427	314	1,444	3
1,215	1,301	1,291	1,391	5,198	1,325	1,404	1,392	1,479	5,600	1,432	1,546	1,516	1,616	6,110	4
29	- 51	57	104	139	- 150	89	98	74	111	- 252	45	79	84	- 44	5
15	13	21	12	61	20	28	22	12	82	20	21	21	22	84	6
- 28	- 77	- 42	- 53	- 200	- 44	- 90	25	- 22	- 131	- 41	- 117	- 55	- 112	- 325	7
- 200	- 187	- 292	- 11	- 690	- 130	40	- 55	124	- 21	7	88	- 91	242	246	8
- 153	- 151	36	25	- 243	- 65	- 68	69	58	- 6	- 133	- 60	33	55	- 105	9
1,375	1,661	3,196	1,630	7,862	1,639	2,099	3,425	1,920	9,083	2,022	2,249	3,851	2,215	10,337	10

TABLE 8. Disposition of National Saving, by Quarters, 1961-65
(millions of dollars)

1963					1964					1965					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
1,424	1,975	2,099	2,093	7,591	1,879	2,335	2,381	2,508	9,103	2,078	2,578	2,792	2,976	10,424	1
299	413	477	518	1,707	462	451	513	595	2,021	469	510	548	597	2,124	2
452	710	869	804	2,835	570	810	1,017	961	3,358	685	893	1,195	1,182	3,955	3
673	852	753	771	3,049	847	1,074	851	952	3,724	924	1,175	1,049	1,197	4,345	4
24	- 263	1,107	- 333	535	25	- 158	896	- 377	386	214	- 15	1,085	- 336	948	5
- 226	- 203	26	- 104	- 507	- 330	- 146	217	- 153	- 412	- 403	- 374	7	- 371	- 1,141	6
153	152	- 36	- 26	243	65	68	- 69	- 58	6	133	60	- 33	- 54	106	7
1,375	1,661	3,196	1,630	7,862	1,639	2,099	3,425	1,920	9,083	2,022	2,249	3,851	2,215	10,337	8

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1961-65(1)
(millions of dollars)

No.		1961					1962				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal expenditure on consumer goods and services	5,307	5,769	5,702	6,327	23,105	5,687	6,058	5,836	6,592	24,173
2	Non-durable goods	2,636	2,835	2,892	3,360	11,723	2,851	2,959	3,029	3,493	12,332
3	Durable goods	543	735	651	757	2,686	641	830	629	835	2,935
4	Services	2,128	2,199	2,159	2,210	8,696	2,195	2,269	2,178	2,264	8,906
5	Government expenditure on goods and services	1,365	1,612	1,916	1,669	6,562	1,430	1,741	1,956	1,684	6,811
6	Business gross fixed capital formation	1,201	1,585	1,733	1,606	6,125	1,254	1,636	1,732	1,632	6,254
7	New residential construction	246	333	383	366	1,328	263	348	402	382	1,395
8	New non-residential construction ...	409	600	795	690	2,494	437	591	724	647	2,399
9	New machinery and equipment	546	652	555	550	2,303	554	697	606	603	2,460
10	Change in inventories	51	- 152	243	- 113	29	108	- 204	897	- 293	508
11	Non-farm business inventories	263	1	- 83	252	433	312	- 72	30	23	293
12	Farm inventories and grain in commercial channels	- 212	- 153	326	- 365	- 404	- 204	- 132	867	- 316	215
13	Exports of goods and services	1,559	1,835	2,039	1,946	7,379	1,648	1,949	2,111	2,039	7,747
14	Deduct: Imports of goods and services	- 1,842	- 2,091	- 2,040	- 2,159	- 8,132	- 1,897	- 2,222	- 2,084	- 2,103	- 8,306
15	Residual error of estimate	74	56	- 51	- 66	13	120	156	- 29	- 5	242
16	GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	7,715	8,614	9,542	9,210	35,081	8,350	9,114	10,419	9,546	37,429

(1) The implicit price deflators of the seasonally unadjusted components of Gross National Expenditure, derived by dividing the value figures in Table 2 by the constant dollar figures in Table 9, are not suitable as indicators of quarter-to-quarter price change. This is because they are currently weighted and therefore are affected by compositional shifts which occur within the unadjusted components of Gross National Expenditure, on a quarter-to-quarter basis. Quarter-to-quarter comparisons based on seasonally adjusted data are less subject to the problem of shifting weights and may be used as a measure of price change.

TABLE 9. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1961-65(1)
(millions of dollars)

1963					1964					1965					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
5,889	6,307	6,120	6,944	25,260	6,302	6,678	6,511	7,355	26,846	6,564	7,111	6,896	7,891	28,462	1
2,924	3,021	3,120	3,576	12,641	3,032	3,144	3,255	3,803	13,234	3,146	3,314	3,436	4,017	13,913	2
673	902	685	948	3,208	803	999	808	975	3,585	827	1,116	892	1,170	4,005	3
2,292	2,384	2,315	2,420	9,411	2,467	2,535	2,448	2,577	10,027	2,591	2,681	2,568	2,704	10,544	4
1,493	1,690	1,965	1,700	6,848	1,546	1,789	1,992	1,795	7,122	1,595	1,929	2,150	1,893	7,567	5
1,259	1,734	1,823	1,802	6,618	1,598	1,952	1,982	2,074	7,606	1,680	2,070	2,235	2,362	8,347	6
261	357	408	435	1,461	384	369	413	475	1,641	370	396	423	455	1,644	7
403	629	762	700	2,494	490	684	856	800	2,830	553	710	951	925	3,139	8
595	748	653	667	2,663	724	899	713	799	3,135	757	964	861	982	3,564	9
66	- 281	1,004	- 279	510	78	- 179	795	- 340	354	253	- 36	976	- 255	938	10
268	- 156	- 28	155	239	323	45	110	8	486	481	109	115	169	874	11
- 202	- 125	1,032	- 434	271	- 245	- 224	685	- 348	- 132	- 228	- 145	861	- 424	64	12
1,739	2,097	2,303	2,306	8,445	1,971	2,476	2,640	2,463	9,550	2,062	2,495	2,759	2,707	10,023	13
- 1,875	- 2,191	- 2,160	- 2,324	- 8,550	- 2,159	- 2,500	- 2,381	- 2,549	- 9,589	- 2,335	- 2,750	- 2,683	- 2,982	- 10,750	14
139	138	- 33	- 23	221	58	60	- 61	- 51	6	115	52	- 28	- 46	93	15
8,710	9,494	11,022	10,126	39,352	9,394	10,276	11,478	10,747	41,895	9,934	10,871	12,305	11,570	44,680	16

TABLES ADJUSTED FOR SEASONAL VARIATION AND AT ANNUAL RATES

TABLE 10. National Income and Gross National Product, by Quarters, 1961-65 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1961					1962				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Wages, salaries, and supplementary labour income	18,504	18,832	19,200	19,448	18,996	19,800	20,128	20,396	20,608	20,233
2	Military pay and allowances	532	540	552	576	550	600	588	584	572	586
3	Corporation profits before taxes	2,956	3,384	3,608	3,760	3,427	3,712	3,800	3,816	3,948	3,819
4	Deduct: Dividends paid to non-residents(1)	- 656	- 540	- 564	- 584	- 586	- 520	- 676	- 572	- 568	- 584
5	Rent, interest and miscellaneous investment income	2,588	2,576	2,780	2,736	2,670	2,748	2,804	2,752	3,024	2,832
6	Accrued net income of farm operators from farm production(2)	1,040	1,008	1,096	888	1,008	1,500	1,404	1,540	1,540	1,496
7	Net income of non-farm unincorporated business(3)	2,056	2,224	2,400	2,416	2,274	2,388	2,456	2,372	2,388	2,401
8	Inventory valuation adjustment	- 40	- 44	- 164	- 108	- 89	- 136	- 92	- 248	- 44	- 130
9	NET NATIONAL INCOME AT FACTOR COST ...	26,980	27,980	28,908	29,132	28,250	30,092	30,412	30,640	31,468	30,653
10	Indirect taxes less subsidies	4,604	4,660	4,624	4,896	4,696	5,176	5,284	5,468	5,244	5,293
11	Capital consumption allowances and miscellaneous valuation adjustments	4,448	4,488	4,556	4,668	4,540	4,756	4,880	4,936	4,996	4,892
12	Residual error of estimate	104	92	- 220	- 36	- 15	- 180	- 332	- 244	- 296	- 263
13	GROSS NATIONAL PRODUCT AT MARKET PRICES	36,136	37,220	37,868	38,660	37,471	39,844	40,244	40,800	41,412	40,575
14	(Gross national product at market prices excluding accrued net income of farm operators)	(35,096)	(36,212)	(36,772)	(37,772)	(36,463)	(38,344)	(38,840)	(39,260)	(39,872)	(39,079)

(1) See footnote 1, Table 1.

(2) Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

TABLE 11. Gross National Expenditure, by Quarters, 1961-65 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1961					1962				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal expenditure on consumer goods and services	23,828	24,332	24,752	24,952	24,466	25,592	25,768	25,920	26,424	25,926
2	Government expenditure on goods and services(1, 2)	6,984	7,112	7,356	7,492	7,236	7,456	7,872	7,756	7,784	7,717
3	Business gross fixed capital formation(3)	6,456	6,544	6,768	6,772	6,635	6,884	6,884	7,000	7,072	6,960
4	New residential construction	1,404	1,468	1,500	1,460	1,458	1,536	1,572	1,644	1,556	1,577
5	New non-residential construction ...	2,532	2,660	2,780	2,760	2,683	2,740	2,604	2,576	2,632	2,638
6	New machinery and equipment	2,520	2,416	2,488	2,552	2,494	2,608	2,708	2,780	2,884	2,745
7	Value of physical change in inventories	- 20	184	- 452	408	30	640	336	832	320	532
8	Non-farm business inventories	312	528	- 8	924	439	452	284	512	- 8	310
9	Farm inventories and grain in commercial channels(4)	- 332	- 344	- 444	- 516	- 409	188	52	320	328	222
10	Exports of goods and services	7,308	7,328	7,916	7,972	7,631	7,972	8,300	8,348	8,416	8,259
11	Deduct: Imports of goods and services ..	- 8,316	- 8,184	- 8,692	- 8,976	- 8,542	- 8,884	- 9,248	- 9,296	- 8,900	- 9,082
12	Residual error of estimate	- 104	- 96	220	40	15	184	332	240	296	263
13	GROSS NATIONAL EXPENDITURE AT MARKET PRICES	36,136	37,220	37,868	38,660	37,471	39,844	40,244	40,800	41,412	40,575
Detail of Farm Inventories and GICC:											
	Value of grain crop production	624	624	628	624	625	1,184	1,184	1,184	1,188	1,185
	Depletions of farm stocks of grain ..	- 1,060	- 1,044	- 912	- 744	- 940	- 872	- 908	- 1,160	- 1,192	- 1,033
	Change in livestock inventories	108	112	24	- 96	37	28	4	72	- 8	24
	Grain in Commercial Channels	- 4	- 36	- 184	- 300	- 131	- 152	- 228	224	340	46

(1) See footnote 1, Table 2.

(2) For details of defence expenditures, see line 3, Table 15.

(3) See footnote 3, Table 2.

TABLE 10. National Income and Gross National Product, by Quarters, 1961-65 Seasonally Adjusted at Annual Rates
(millions of dollars)

1963					1964					1965					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
20,996	21,308	21,712	22,172	21,547	22,744	23,112	23,724	24,152	23,433	25,008	25,600	26,344	27,180	26,033	1
560	608	596	628	598	572	576	584	600	583	596	592	600	560	587	2
4,016	4,180	4,220	4,336	4,188	4,692	4,756	4,772	5,056	4,819	5,040	5,112	5,344	5,300	5,199	3
- 604	- 568	- 620	- 664	- 614	- 724	- 644	- 712	- 772	- 713	- 700	- 788	- 772	- 744	- 751	4
2,912	3,072	3,112	3,216	3,078	3,224	3,176	3,276	3,372	3,262	3,384	3,516	3,516	3,800	3,554	5
1,704	1,692	1,716	1,772	1,721	1,404	1,676	1,424	1,352	1,464	1,564	1,496	1,780	1,740	1,645	6
2,524	2,524	2,564	2,592	2,551	2,644	2,676	2,736	2,824	2,720	2,736	2,872	2,980	2,920	2,877	7
- 136	- 204	- 232	- 228	- 200	- 200	- 224	4	- 104	- 131	- 188	- 308	- 340	- 464	- 325	8
31,972	32,612	33,068	33,824	32,869	34,356	35,104	35,808	36,480	35,437	37,440	38,092	39,452	40,292	38,819	9
5,556	5,380	5,660	5,804	5,600	6,148	6,396	6,548	6,396	6,372	6,924	7,128	7,320	7,316	7,172	10
5,024	5,124	5,208	5,436	5,198	5,488	5,520	5,632	5,760	5,600	5,944	6,092	6,128	6,276	6,110	11
- 292	- 240	- 232	- 208	- 243	4	136	- 40	- 124	- 6	- 112	12	- 196	- 124	- 105	12
42,260	42,876	43,704	44,856	43,424	45,996	47,156	47,948	48,512	47,403	50,196	51,324	52,704	53,760	51,996	13
(40,556)	(41,184)	(41,988)	(43,084)	(41,703)	(44,592)	(45,480)	(46,524)	(47,160)	(45,939)	(48,632)	(49,828)	(50,924)	(52,020)	(50,351)	14

(3) Includes net income of independent professional practitioners.

TABLE 11. Gross National Expenditure, by Quarters, 1961-65 Seasonally Adjusted at Annual Rates
(millions of dollars)

1963					1964					1965					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
26,740	27,228	27,716	28,264	27,487	29,000	29,296	29,984	30,384	29,666	30,748	31,644	32,520	33,340	32,063	1
7,984	7,936	8,184	8,196	8,075	8,536	8,600	8,552	8,928	8,654	9,248	9,540	9,660	9,936	9,596	2
7,044	7,472	7,868	7,980	7,591	8,828	9,008	9,068	9,508	9,103	9,760	10,004	10,672	11,260	10,424	3
1,568	1,656	1,796	1,808	1,707	2,008	1,944	1,996	2,136	2,021	2,044	2,192	2,132	2,128	2,124	4
2,620	2,868	2,900	2,952	2,835	3,220	3,304	3,428	3,480	3,358	3,796	3,720	4,036	4,268	3,955	5
2,856	2,948	3,172	3,220	3,049	3,600	3,760	3,644	3,892	3,724	3,920	4,092	4,504	4,864	4,345	6
592	348	540	660	535	364	516	436	228	386	1,288	1,168	728	608	948	7
208	- 64	176	656	244	488	704	784	88	516	1,108	980	836	696	905	8
384	412	364	4	291	- 124	- 188	- 348	140	- 130	180	188	- 108	- 88	43	9
8,676	9,000	9,008	9,760	9,111	10,092	10,696	10,764	10,476	10,507	10,624	10,972	11,316	11,712	11,156	10
- 9,068	- 9,352	- 9,840	- 10,212	- 9,618	- 10,820	- 10,820	- 10,896	- 11,140	- 10,919	- 11,588	- 11,992	- 12,392	- 13,216	- 12,297	11
292	244	228	208	243	- 4	- 140	40	128	6	116	- 12	200	120	106	12
42,260	42,876	43,704	44,856	43,424	45,996	47,156	47,948	48,512	47,403	50,196	51,324	52,704	53,760	51,996	13
1,380	1,380	1,384	1,380	1,381	1,132	1,132	1,136	1,132	1,133	1,300	1,300	1,300	1,304	1,301	
- 1,084	- 1,028	- 1,176	- 1,188	- 1,119	- 1,384	- 1,324	- 1,248	- 1,172	- 1,282	- 1,188	- 1,168	- 1,116	- 1,340	- 1,203	
24	28	68	76	49	48	92	16	44	50	- 4	- 40	- 28	- 96	- 42	
64	32	88	- 264	- 20	80	- 88	- 252	136	- 31	72	96	- 264	44	- 13	

(4) In the seasonally adjusted series, the value of grain production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see footnote 2, Table 10). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 12. Source of Personal Income, by Quarters, 1961-65 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1961					1962				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Wages, salaries, and supplementary labour income	18,504	18,832	19,200	19,448	18,996	19,800	20,128	20,396	20,608	20,233
2	Deduct: Employer and employee contributions to social insurance and government pension funds	- 784	- 776	- 800	- 788	- 787	- 796	- 804	- 824	- 824	- 812
3	Military pay and allowances ...	532	540	552	576	550	600	588	584	572	586
4	Net income received by farm operators from farm production(1)	1,000	880	1,092	940	978	1,128	1,744	1,508	1,580	1,490
5	Net income of non-farm unincorporated business	2,056	2,224	2,400	2,416	2,274	2,388	2,456	2,372	2,388	2,401
6	Interest, dividends and net rental income of persons(2)	2,960	2,980	3,072	3,108	3,030	3,200	3,256	3,340	3,424	3,305
	Transfer payments to persons:										
7	From government (excluding interest)	3,424	3,372	3,468	3,500	3,441	3,784	3,680	3,600	3,836	3,725
8	Charitable contributions by corporations	40	40	40	40	40	44	44	44	44	44
9	PERSONAL INCOME	27,732	28,092	29,024	29,240	28,522	30,148	31,092	31,020	31,628	30,972

(1) This item differs from line 6, Table 10 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

(2) Includes all government debt interest paid to persons.

TABLE 13. Disposition of Personal Income, by Quarters, 1961-65 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1961					1962				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal direct taxes	2,412	2,512	2,548	2,572	2,511	2,656	2,684	2,768	2,808	2,729
2	Income taxes	2,028	2,136	2,152	2,184	2,125	2,248	2,280	2,356	2,380	2,316
3	Succession duties and estate taxes	148	132	152	152	146	164	160	172	164	165
4	Miscellaneous	236	244	244	236	240	244	244	240	264	248
5	Personal expenditure on consumer goods and services	23,828	24,332	24,752	24,952	24,466	25,592	25,768	25,920	26,424	25,926
6	Non-durable goods	11,876	12,204	12,236	12,396	12,178	12,848	12,860	13,000	13,152	12,965
7	Durable goods	2,556	2,648	2,880	2,780	2,716	2,936	2,960	2,868	3,076	2,960
8	Services(1)	9,396	9,480	9,636	9,776	9,572	9,808	9,948	10,052	10,196	10,001
9	Personal net saving	1,492	1,248	1,724	1,716	1,545	1,900	2,640	2,332	2,396	2,317
10	PERSONAL INCOME	27,732	28,092	29,024	29,240	28,522	30,148	31,092	31,020	31,628	30,972
11	(Personal disposable income)(2)	(25,320)	(25,580)	(26,476)	(26,668)	(26,011)	27,492	28,408	28,252	28,820	28,243

(1) Includes net expenditure abroad.

(2) Personal Income less Total Personal Direct Taxes.

TABLE 12. Source of Personal Income, by Quarters, 1961-65 Seasonally Adjusted at Annual Rates
(millions of dollars)

1963					1964					1965					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
20,996	21,308	21,712	22,172	21,547	22,744	23,112	23,724	24,152	23,433	25,008	25,600	26,344	27,180	26,033	1
- 832	- 840	- 868	- 868	- 852	- 884	- 912	- 924	- 928	- 912	- 920	-948	- 980	- 988	- 959	2
560	608	596	628	598	572	576	584	600	583	596	592	600	560	587	3
1,252	1,820	1,668	1,588	1,582	1,572	1,248	1,272	1,320	1,353	2,080	1,244	1,720	1,712	1,689	4
2,524	2,524	2,564	2,592	2,551	2,644	2,676	2,736	2,824	2,720	2,736	2,872	2,980	2,920	2,877	5
3,488	3,580	3,644	3,752	3,616	3,748	3,784	3,812	3,852	3,799	4,048	4,044	4,164	4,260	4,129	6
3,656	3,888	3,820	4,028	3,848	4,080	4,104	4,136	4,212	4,133	4,404	4,424	4,604	4,576	4,502	7
44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	8
31,688	32,932	33,180	33,936	32,934	34,520	34,632	35,384	36,076	35,153	37,996	37,872	39,476	40,264	38,902	9

TABLE 13. Disposition of Personal Income, by Quarters, 1961-65 Seasonally Adjusted at Annual Rates
(millions of dollars)

1963					1964					1965					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
2,860	2,776	2,940	3,088	2,916	3,196	3,396	3,500	3,620	3,428	3,800	3,852	3,932	4,064	3,912	1
2,468	2,348	2,508	2,624	2,487	2,760	2,912	3,036	3,120	2,957	3,284	3,308	3,352	3,476	3,355	2
144	164	176	200	171	164	220	148	184	179	168	196	240	232	209	3
248	264	256	264	258	272	264	316	316	292	348	348	340	356	348	4
26,740	27,228	27,716	28,264	27,487	29,000	29,296	29,984	30,384	29,666	30,748	31,644	32,520	33,340	32,063	5
13,320	13,384	13,648	13,720	13,518	14,036	14,252	14,472	14,796	14,389	14,784	15,260	15,584	16,108	15,434	6
3,060	3,224	3,216	3,484	3,246	3,592	3,524	3,744	3,508	3,592	3,708	3,892	4,224	4,180	4,001	7
10,360	10,620	10,852	11,060	10,723	11,372	11,520	11,768	12,080	11,685	12,256	12,492	12,712	13,052	12,628	8
2,088	2,928	2,524	2,584	2,531	2,324	1,940	1,900	2,072	2,059	3,448	2,376	3,024	2,860	2,927	9
31,688	32,932	33,180	33,936	32,934	34,520	34,632	35,384	36,076	35,153	37,996	37,872	39,476	40,264	38,902	10
28,828	30,156	30,240	30,848	30,018	31,324	31,236	31,884	32,456	31,725	34,196	34,020	35,544	36,200	34,990	11

TABLE 14. Government Revenue, by Quarters, 1961-65 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1961					1962				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Direct taxes - Persons	2,412	2,512	2,548	2,572	2,511	2,656	2,684	2,768	2,808	2,729
2	Federal	2,056	2,124	2,160	2,188	2,132	2,080	2,064	2,100	2,108	2,088
3	Provincial and municipal	356	388	388	384	379	576	620	668	700	641
4	Direct taxes - Corporations	1,424	1,576	1,696	1,752	1,612	1,680	1,684	1,728	1,748	1,710
5	Federal	1,164	1,288	1,376	1,416	1,311	1,260	1,264	1,296	1,296	1,279
6	(Federal tax collections)	(1,272)	(1,268)	(1,240)	(1,288)	(1,267)	(1,376)	(1,264)	(1,284)	(1,252)	(1,294)
7	Provincial	260	288	320	336	301	420	420	432	452	431
8	(Provincial tax collections)	(276)	(280)	(284)	(296)	(284)	(324)	(320)	(384)	(408)	(359)
	Withholding taxes:										
	Federal(1)	120	108	120	116	116	108	140	124	128	125
10	Indirect taxes	4,808	4,868	4,988	5,124	4,947	5,448	5,552	5,700	5,640	5,585
11	Federal	2,168	2,168	2,204	2,220	2,190	2,316	2,348	2,516	2,424	2,401
12	Provincial and municipal(2)	2,640	2,700	2,784	2,904	2,757	3,132	3,204	3,184	3,216	3,184
13	Investment income	1,044	1,052	1,212	1,196	1,126	1,192	1,216	1,168	1,428	1,251
14	Federal	380	348	480	428	409	372	428	356	636	448
15	Provincial and municipal	664	704	732	768	717	820	788	812	792	803
16	Employer and employee contributions to social insurance and government pension funds	784	776	800	788	787	796	804	824	824	812
17	Federal	512	500	512	516	510	512	512	524	524	518
18	Provincial and municipal	272	276	288	272	277	284	292	300	300	294
	Transfers from Federal:										
19	Provincial and municipal	1,016	1,176	1,172	1,148	1,128	1,172	1,008	1,140	1,216	1,134
20	TOTAL REVENUE	11,608	12,068	12,536	12,696	12,227	13,052	13,088	13,452	13,792	13,346
21	FEDERAL	6,400	6,536	6,852	6,884	6,668	6,648	6,756	6,916	7,116	6,859
22	PROVINCIAL and MUNICIPAL	5,208	5,532	5,684	5,812	5,559	6,404	6,332	6,536	6,676	6,487

(1) See footnote 1, Table 5.

(2) The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.

TABLE 14. Government Revenue, by Quarters, 1961-65 Seasonally Adjusted at Annual Rates
(millions of dollars)

1963					1964					1965					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
2,860	2,776	2,940	3,088	2,916	3,196	3,396	3,500	3,620	3,428	3,800	3,852	3,932	4,064	3,912	1
2,160	2,100	2,208	2,304	2,193	2,412	2,552	2,604	2,664	2,558	2,720	2,760	2,660	2,720	2,715	2
700	676	732	784	723	784	844	896	956	870	1,080	1,092	1,272	1,344	1,197	3
1,796	1,796	1,828	1,888	1,827	1,984	1,964	1,988	2,048	1,996	2,060	2,136	2,192	2,268	2,164	4
1,344	1,340	1,360	1,404	1,362	1,492	1,476	1,484	1,540	1,498	1,544	1,600	1,636	1,712	1,623	5
(1,320)	(1,260)	(1,348)	(1,384)	(1,328)	(1,416)	(1,744)	(1,540)	(1,720)	(1,605)	(1,576)	(1,896)	(1,628)	(1,760)	(1,715)	6
452	456	468	484	465	492	488	504	508	498	516	536	556	556	541	7
(420)	(440)	(476)	(452)	(447)	(436)	(532)	(480)	(520)	(492)	(544)	(584)	(544)	(536)	(552)	8
132	120	128	128	127	132	136	140	152	140	160	172	164	176	168	9
5,808	5,748	5,952	6,136	5,911	6,452	6,668	6,796	6,864	6,695	7,164	7,372	7,592	7,800	7,482	10
2,416	2,336	2,460	2,592	2,451	2,708	2,840	2,920	2,920	2,847	3,040	3,172	3,332	3,444	3,247	11
3,392	3,412	3,492	3,544	3,460	3,744	3,828	3,876	3,944	3,848	4,124	4,200	4,260	4,356	4,235	12
1,304	1,420	1,420	1,436	1,395	1,472	1,444	1,556	1,632	1,526	1,592	1,660	1,644	1,856	1,688	13
460	544	528	508	510	564	496	572	648	570	568	612	572	720	618	14
844	876	892	928	885	908	948	984	984	956	1,024	1,048	1,072	1,136	1,070	15
832	840	868	868	852	884	912	924	928	912	920	948	980	988	959	16
528	528	536	544	534	560	584	572	580	574	584	600	608	616	602	17
304	312	332	324	318	324	328	352	348	338	336	348	372	372	357	18
1,192	1,220	1,104	1,160	1,169	1,160	1,272	1,272	1,304	1,252	1,496	1,444	1,316	1,452	1,427	19
13,924	13,920	14,240	14,704	14,197	15,280	15,792	16,176	16,548	15,949	17,192	17,584	17,820	18,604	17,800	20
7,040	6,968	7,220	7,480	7,177	7,868	8,084	8,292	8,504	8,187	8,616	8,916	8,972	9,388	8,973	21
6,884	6,952	7,020	7,224	7,020	7,412	7,708	7,884	8,044	7,762	8,576	8,668	8,848	9,216	8,827	22

TABLE 15. Government Expenditure, by Quarters, 1961-65 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1961					1962				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Goods and services	6,984	7,112	7,356	7,492	7,236	7,456	7,872	7,756	7,784	7,717
2	Federal	2,852	2,920	3,068	3,088	2,982	3,040	3,140	2,972	2,948	3,025
3	(Defence)	(1,572)	(1,592)	(1,612)	(1,676)	(1,613)	(1,700)	(1,720)	(1,652)	(1,648)	(1,680)
4	Provincial and municipal	4,132	4,192	4,288	4,404	4,254	4,416	4,732	4,784	4,836	4,692
5	Transfer payments to persons (exclud- ing interest on the public debt)	3,424	3,372	3,468	3,500	3,441	3,784	3,680	3,600	3,836	3,725
6	Federal	2,012	2,004	1,992	2,016	2,006	2,252	2,056	2,064	2,076	2,112
7	Provincial and municipal	1,412	1,368	1,476	1,484	1,435	1,532	1,624	1,536	1,760	1,613
8	Interest on the public debt	1,124	1,168	1,180	1,208	1,170	1,260	1,276	1,332	1,352	1,305
9	Federal	764	788	768	824	786	836	844	892	892	866
10	Provincial and municipal	360	380	412	384	384	424	432	440	460	439
11	Subsidies	204	208	364	228	251	272	268	232	396	292
12	Federal	176	180	332	196	221	240	236	200	364	260
13	Provincial	28	28	32	32	30	32	32	32	32	32
	Capital assistance:(2)										
14	Federal	4	8	4	8	6	12	16	44	36	27
	Transfers to other levels of government										
15	Federal	1,016	1,176	1,172	1,148	1,128	1,172	1,008	1,140	1,216	1,134
16	Total expenditure	12,756	13,044	13,544	13,584	13,232	13,956	14,120	14,104	14,620	14,200
17	Federal	6,824	7,076	7,336	7,280	7,129	7,552	7,300	7,312	7,532	7,424
18	Provincial and municipal	5,932	5,968	6,208	6,304	6,103	6,404	6,820	6,792	7,088	6,776
19	Deficit (-) or surplus (+)	- 1,148	- 976	- 1,008	- 888	- 1,005	- 904	- 1,032	- 652	- 828	- 854
20	Federal	- 424	- 540	- 484	- 396	- 461	- 904(1)	- 544	- 396	- 416	- 565
21	Provincial and municipal	- 724	- 436	- 524	- 492	- 544	- (1)- 488	- 256	- 412	- 289	- 289
22	TOTAL EXPENDITURE MINUS DEFICIT OR PLUS SURPLUS	11,608	12,068	12,536	12,696	12,227	13,052	13,088	13,452	13,792	13,346
23	FEDERAL	6,400	6,536	6,852	6,884	6,668	6,648	6,756	6,916	7,116	6,859
24	PROVINCIAL AND MUNICIPAL	5,208	5,532	5,684	5,812	5,559	6,404	6,332	6,536	6,676	6,487

(1) In this quarter the federal deficit is irregularly high by about \$300 million and the provincial-municipal balance correspondingly high as a consequence of the introduction of the new tax collection arrangements and the continuation in this quarter of transfer payments to the provinces under the former tax rental agreements.

TABLE 15. Government Expenditure, by Quarters, 1961-65 Seasonally Adjusted at Annual Rates
(millions of dollars)

1963					1964					1965					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
7,984	7,936	8,184	8,196	8,075	8,536	8,600	8,552	8,928	8,654	9,248	9,540	9,660	9,936	9,596	1
2,896	2,904	2,988	2,948	2,934	3,028	3,052	2,996	3,108	3,046	3,204	3,132	3,312	3,420	3,267	2
(1,480)	(1,580)	(1,624)	(1,604)	(1,572)	(1,620)	(1,616)	(1,512)	(1,588)	(1,584)	(1,620)	(1,512)	(1,584)	(1,532)	(1,562)	3
5,088	5,032	5,196	5,248	5,141	5,508	5,548	5,556	5,820	5,608	6,044	6,408	6,348	6,516	6,329	4
3,656	3,888	3,820	4,028	3,848	4,080	4,104	4,136	4,212	4,133	4,404	4,424	4,604	4,576	4,502	5
2,124	2,100	2,096	2,212	2,133	2,196	2,228	2,252	2,280	2,239	2,292	2,348	2,360	2,264	2,316	6
1,532	1,788	1,724	1,816	1,715	1,884	1,876	1,884	1,932	1,894	2,112	2,076	2,244	2,312	2,186	7
1,380	1,412	1,440	1,460	1,423	1,488	1,520	1,528	1,568	1,526	1,608	1,624	1,640	1,668	1,635	8
900	936	948	956	935	976	996	992	1,016	995	1,052	1,036	1,040	1,080	1,052	9
480	476	492	504	488	512	524	536	552	531	556	588	600	588	583	10
252	368	292	332	311	304	272	248	468	323	240	244	272	484	310	11
216	332	256	296	275	260	228	200	420	277	192	192	220	432	259	12
36	36	36	36	36	44	44	48	48	46	48	52	52	52	51	13
60	52	84	48	61	80	112	88	48	82	80	84	84	88	84	14
1,192	1,220	1,104	1,160	1,169	1,160	1,272	1,272	1,304	1,252	1,496	1,444	1,316	1,452	1,427	15
14,524	14,876	14,924	15,224	14,887	15,648	15,880	15,824	16,528	15,970	17,076	17,360	17,576	18,204	17,554	16
7,388	7,544	7,476	7,620	7,507	7,700	7,888	7,800	8,176	7,891	8,316	8,236	8,332	8,736	8,405	17
7,136	7,332	7,448	7,604	7,380	7,948	7,992	8,024	8,352	8,079	8,760	9,124	9,244	9,468	9,149	18
- 600	- 956	- 684	- 520	- 690	- 368	- 88	+ 352	+ 20	- 21	+ 116	+ 224	+ 244	+ 400	+ 246	19
- 348	- 576	- 256	- 140	- 330	+ 168	+ 196	+ 492	+ 328	+ 296	+ 300	+ 680	+ 640	+ 652	+ 568	20
- 252	- 380	- 428	- 380	- 360	- 536	- 284	- 140	- 308	- 317	- 184	- 456	- 396	- 252	- 322	21
13,924	13,920	14,240	14,704	14,197	15,280	15,792	16,176	16,548	15,949	17,192	17,584	17,820	18,604	17,800	22
7,040	6,968	7,220	7,480	7,177	7,868	8,084	8,292	8,504	8,187	8,616	8,916	8,972	9,388	8,973	23
6,884	6,952	7,020	7,224	7,020	7,412	7,708	7,884	8,044	7,762	8,576	8,668	8,848	9,216	8,827	24

(2) See footnote 2, Table 6.

TABLE 16. Source of National Saving, by Quarters, 1961-65 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1961					1962				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal net saving	1,492	1,248	1,724	1,716	1,545	1,900	2,640	2,332	2,396	2,317
2	Business gross saving	4,916	5,456	5,428	5,532	5,333	6,116	5,420	5,936	5,976	5,862
3	Undistributed corporation profits ...	424	832	864	908	757	976	864	924	984	937
4	Capital consumption allowances and miscellaneous valuation adjustments	4,448	4,488	4,556	4,668	4,540	4,756	4,880	4,936	4,996	4,892
5	Adjustment on grain transactions(1)	40	128	4	- 52	30	372	- 340	32	- 40	6
6	Capital assistance	4	8	4	8	6	12	16	44	36	27
7	Inventory valuation adjustment	- 40	- 44	- 164	- 108	- 89	- 136	- 92	- 248	- 44	- 130
8	Government surplus (+) or deficit (-)	- 1,148	- 976	- 1,008	- 888	- 1,005	- 904	- 1,032	- 652	- 828	- 854
9	Residual error of estimate	104	92	- 220	- 36	- 15	- 180	- 332	- 244	- 296	- 263
10	Totals	5,324	5,776	5,760	6,216	5,769	6,796	6,604	7,124	7,204	6,932

(1) This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also footnote 1, Table 3.

TABLE 17. Disposition of National Saving, by Quarters, 1961-65 Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1961					1962				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Business gross fixed capital formation	6,456	6,544	6,768	6,772	6,635	6,884	6,884	7,000	7,072	6,960
2	New residential construction	1,404	1,468	1,500	1,460	1,458	1,536	1,572	1,644	1,556	1,577
3	New non-residential construction	2,532	2,660	2,780	2,760	2,683	2,740	2,604	2,576	2,632	2,638
4	New machinery and equipment	2,520	2,416	2,488	2,552	2,494	2,608	2,708	2,780	2,884	2,745
5	Value of physical change in inventories	- 20	184	- 452	408	30	640	336	832	320	532
6	Surplus (+) or deficit (-) on current account with non-residents	- 1,008	- 856	- 776	- 1,004	- 911	- 912	- 948	- 948	- 484	- 823
7	Residual error of estimate	- 104	- 96	220	40	15	184	332	240	296	263
8	Totals	5,324	5,776	5,760	6,216	5,769	6,796	6,604	7,124	7,204	6,932

TABLE 16. Source of National Saving, by Quarters, 1961-65 Seasonally Adjusted at Annual Rates
(millions of dollars)

1963					1964					1965					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
2,088	2,928	2,524	2,584	2,531	2,324	1,940	1,900	2,072	2,059	3,448	2,376	3,024	2,860	2,927	1
6,476	6,184	6,428	6,768	6,464	6,700	7,496	7,196	7,336	7,182	6,936	7,836	7,792	7,812	7,594	2
940	1,136	1,088	1,100	1,066	1,300	1,436	1,324	1,496	1,389	1,428	1,408	1,520	1,420	1,444	3
5,024	5,124	5,208	5,436	5,198	5,488	5,520	5,632	5,760	5,600	5,944	6,092	6,128	6,276	6,110	4
452	- 128	48	184	139	- 168	428	152	32	111	- 516	252	60	28	- 44	5
60	52	84	48	61	80	112	88	48	82	80	84	84	88	84	6
- 136	- 204	- 232	- 228	- 200	- 200	- 224	4	- 104	- 131	- 188	- 308	- 340	- 464	- 325	7
- 600	- 956	- 684	- 520	- 690	- 368	- 88	352	20	- 21	116	224	244	400	246	8
- 292	- 240	- 232	- 208	- 243	4	136	- 40	- 124	- 6	- 112	12	- 196	- 124	- 105	9
7,536	7,712	7,804	8,396	7,862	8,460	9,260	9,412	9,200	9,083	10,200	10,140	10,524	10,484	10,337	10

TABLE 17. Disposition of National Saving, by Quarters, 1961-65 Seasonally Adjusted at Annual Rates
(millions of dollars)

1963					1964					1965					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
7,044	7,472	7,868	7,980	7,591	8,828	9,008	9,068	9,508	9,103	9,760	10,004	10,672	11,260	10,424	1
1,568	1,656	1,796	1,808	1,707	2,008	1,944	1,996	2,136	2,021	2,044	2,192	2,132	2,128	2,124	2
2,620	2,868	2,900	2,952	2,835	3,220	3,304	3,428	3,480	3,358	3,796	3,720	4,036	4,268	3,955	3
2,856	2,948	3,172	3,220	3,049	3,600	3,760	3,644	3,892	3,724	3,920	4,092	4,504	4,864	4,345	4
592	348	540	660	535	364	516	436	228	386	1,288	1,168	728	608	948	5
- 392	- 352	- 832	- 452	- 507	- 728	- 124	- 132	- 664	- 412	- 964	- 1,020	- 1,076	- 1,504	- 1,141	6
292	244	228	208	243	- 4	- 140	40	128	6	116	- 12	200	120	106	7
7,536	7,712	7,804	8,396	7,862	8,460	9,260	9,412	9,200	9,083	10,200	10,140	10,524	10,484	10,337	8

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1961-65(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

No.		1961					1962				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal expenditure on consumer goods and services	22,516	22,988	23,412	23,504	23,105	24,016	24,072	24,116	24,488	24,173
2	Non-durable goods	11,436	11,748	11,792	11,916	11,723	12,300	12,264	12,352	12,412	12,332
3	Durable goods	2,496	2,600	2,884	2,764	2,686	2,916	2,944	2,840	3,040	2,935
4	Services	8,584	8,640	8,736	8,824	8,696	8,800	8,864	8,924	9,036	8,906
5	Government expenditure on goods and services	6,400	6,468	6,636	6,744	6,562	6,652	6,972	6,820	6,800	6,811
6	Business gross fixed capital formation	5,964	6,052	6,252	6,232	6,125	6,256	6,208	6,264	6,288	6,254
7	New residential construction	1,280	1,340	1,364	1,328	1,328	1,376	1,396	1,444	1,364	1,395
8	New non-residential construction	2,348	2,472	2,596	2,560	2,494	2,508	2,372	2,340	2,376	2,399
9	New machinery and equipment	2,336	2,240	2,292	2,344	2,303	2,372	2,440	2,480	2,548	2,460
10	Change in inventories	- 72	156	- 448	480	29	588	308	832	304	508
11	Non-farm business inventories	304	540	- 12	900	433	416	236	524	- 4	293
12	Farm inventories and grain in commercial channels	- 376	- 384	- 436	- 420	- 404	172	72	308	308	215
13	Exports of goods and services	7,156	7,176	7,600	7,584	7,379	7,536	7,800	7,808	7,844	7,747
14	Deduct: Imports of goods and services ..	- 8,028	- 7,920	- 8,204	- 8,376	- 8,132	- 8,216	- 8,428	- 8,476	- 8,104	- 8,306
15	Residual error of estimate	- 96	- 88	200	36	13	172	308	220	268	242
16	GROSS NATIONAL EXPENDITURE IN CONSTANT (1957) DOLLARS	33,840	34,832	35,448	36,204	35,081	37,004	37,240	37,584	37,888	37,429

(1) See footnote 1, Table 9.

TABLE 19. Implicit Price Indexes - Seasonally Adjusted
Gross National Expenditure, 1961-65(1)
(1957 = 100)

No.		1961					1962				
		I	II	III	IV	Year	I	II	III	IV	Year
1	Personal expenditure on consumer goods and services	105.8	105.9	105.7	106.2	105.9	106.6	107.0	107.5	107.9	107.3
2	Non-durable goods	103.8	103.9	103.8	104.0	103.9	104.5	104.9	105.2	106.0	105.1
3	Durable goods	102.4	101.5	99.9	100.7	101.1	100.7	100.5	101.0	101.2	100.9
4	Services	109.5	109.7	110.3	110.8	110.1	111.5	112.2	112.6	112.8	112.3
5	Government expenditure on goods and services	109.1	110.0	110.8	111.1	110.3	112.1	112.9	113.7	114.5	113.3
6	Business gross fixed capital formation	108.2	108.1	108.3	108.7	108.3	110.0	110.9	111.7	112.5	111.3
7	New residential construction	109.7	109.6	110.0	109.9	109.8	111.6	112.6	113.9	114.1	113.0
8	New non-residential construction	107.8	107.6	107.1	107.8	107.6	109.3	109.8	110.1	110.8	110.0
9	New machinery and equipment	107.9	107.9	108.6	108.9	108.3	109.9	111.0	112.1	113.2	111.6
10	Exports of goods and services	102.1	102.1	104.2	105.1	103.4	105.8	106.4	106.9	107.3	106.6
11	Imports of goods and services	103.6	103.3	105.9	107.2	105.0	108.1	109.7	109.7	109.8	109.3
12	GROSS NATIONAL EXPENDITURE	106.8	106.9	106.8	106.8	106.8	107.7	108.1	108.6	109.3	108.4

(1) These implicit indexes are currently weighted price indexes. They reflect not only pure price changes, but also changing expenditure patterns within and between major groups. Quarter to quarter comparisons based on the seasonally adjusted data are less subject to the problem of shifting weights than are similar comparisons based on data unadjusted for seasonality, and therefore may be used as indicators of price change.

TABLE 18. Gross National Expenditure in Constant (1957) Dollars, by Quarters, 1961-65(1)
Seasonally Adjusted at Annual Rates
(millions of dollars)

1963					1964					1965					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
24,712	25,104	25,396	25,828	25,260	26,404	26,568	27,076	27,336	26,846	27,564	28,144	28,808	29,332	28,462	1
12,536	12,568	12,720	12,740	12,641	12,968	13,132	13,256	13,580	13,234	13,512	13,780	14,000	14,360	13,913	2
3,028	3,192	3,172	3,440	3,208	3,576	3,516	3,756	3,492	3,585	3,704	3,888	4,236	4,192	4,005	3
9,148	9,344	9,504	9,648	9,411	9,860	9,920	10,064	10,264	10,027	10,348	10,476	10,572	10,780	10,544	4
6,872	6,756	6,912	6,852	6,848	7,136	7,124	6,980	7,248	7,122	7,396	7,580	7,620	7,672	7,567	5
6,240	6,568	6,816	6,848	6,618	7,520	7,536	7,528	7,840	7,606	7,900	8,024	8,548	8,916	8,347	6
1,368	1,428	1,536	1,512	1,461	1,664	1,592	1,608	1,700	1,641	1,608	1,700	1,648	1,620	1,644	7
2,348	2,544	2,528	2,556	2,494	2,780	2,792	2,864	2,884	2,830	3,080	2,960	3,196	3,320	3,139	8
2,524	2,596	2,752	2,780	2,663	3,076	3,152	3,056	3,256	3,135	3,212	3,364	3,704	3,976	3,564	9
532	320	536	652	510	332	480	392	212	354	1,252	1,156	720	624	938	10
200	- 64	192	628	239	468	676	736	64	486	1,080	944	804	668	874	11
332	384	344	24	271	- 136	- 196	- 344	148	- 132	172	212	- 84	- 44	64	12
8,088	8,376	8,368	8,948	8,445	9,228	9,748	9,728	9,496	9,550	9,644	9,908	10,112	10,428	10,023	13
- 8,168	- 8,344	- 8,704	- 8,984	- 8,550	- 9,448	- 9,460	- 9,640	- 9,808	- 9,589	- 10,156	- 10,540	- 10,828	- 11,476	- 10,750	14
268	224	204	188	221	- 4	- 120	36	112	6	104	- 12	176	104	93	15
38,544	39,004	39,528	40,332	39,352	41,168	41,876	42,100	42,436	41,895	43,704	44,260	45,156	45,600	44,680	16

TABLE 19. Implicit Price Indexes - Seasonally Adjusted
Gross National Expenditure, 1961-65(1)
(1957 = 100)

1963					1964					1965					No.
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	
108.2	108.5	109.1	109.4	108.8	109.8	110.3	110.7	111.2	110.5	111.6	112.4	112.9	113.7	112.7	1
106.3	106.5	107.3	107.7	106.9	108.2	108.5	109.2	109.0	108.7	109.4	110.7	111.3	112.2	110.9	2
101.1	101.0	101.4	101.3	101.2	100.4	100.2	99.7	100.5	100.2	100.1	100.1	99.7	99.7	99.9	3
113.2	113.7	114.2	114.6	113.9	115.3	116.1	116.9	117.7	116.5	118.4	119.2	120.2	121.1	119.8	4
116.2	117.5	118.4	119.6	117.9	119.6	120.7	122.5	123.2	121.5	125.0	125.9	126.8	129.5	126.8	5
112.9	113.8	115.4	116.5	114.7	117.4	119.5	120.5	121.3	119.7	123.5	124.7	124.8	126.3	124.9	6
114.6	116.0	116.9	119.6	116.8	120.7	122.1	124.1	125.6	123.2	127.1	128.9	129.4	131.4	129.2	7
111.6	112.7	114.7	115.5	113.7	115.8	118.3	119.7	120.7	118.7	123.2	125.7	126.3	128.6	126.0	8
113.2	113.6	115.3	115.8	114.5	117.0	119.3	119.2	119.5	118.8	122.0	121.6	121.6	122.3	121.9	9
107.3	107.4	107.6	109.1	107.9	109.4	109.7	110.6	110.3	110.0	110.2	110.7	111.9	112.3	111.3	10
111.0	112.1	113.1	113.7	112.5	114.5	114.4	113.0	113.6	113.9	114.1	113.8	114.4	115.2	114.4	11
109.6	109.9	110.6	111.2	110.3	111.7	112.6	113.9	114.3	113.1	114.9	116.0	116.7	117.9	116.4	12

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TABLE 20. Business Gross Fixed Capital Formation, by Industry, 1961-65(1)
(millions of dollars)

	1961	1962	1963	1964	1965
1. Agriculture	576	663	762	836	928
2. Fishing and trapping					
3. Forestry					
4. Mining, quarrying, and oil wells	50	54	60	88	102
5. Manufacturing	449	480	521	632	687
6. Construction	1,085	1,269	1,358	1,831	2,238
7. Transportation	136	109	135	197	235
8. Storage	645	490	566	730	810
9. Communication(2)					
10. Electric power, gas and water utilities ...					
11. Trade	340	385	435	426	455
12. Finance, insurance and real estate(3)	706	720	763	892	1,141
13. Services(4)	307	319	338	368	368
14. Totals	1,770	1,875	1,980	2,363	2,537
	571	596	673	740	923
	6,635	6,960	7,591	9,103	10,424

- (1) This table is derived from "Private and Public Investment in Canada", publications. Additional detail has been provided by the DBS Business Finance Division, and adjustments have been made to bring the data into line with national accounting concepts. See reconciliation statement, Table 21. For an industrial distribution of total private and public investment, see Table 1 in the cited publication.
- (2) Excludes investment expenditures by the Canadian Broadcasting Corporation.
- (3) Includes all new residential construction, (including government enterprises, but excluding general government). See Table 2.
- (4) Excludes government departmental expenditures, federal hospital, provincial hospital and school, and municipal school expenditures, which are included with "Government Expenditure on Goods and Services". Investment expenditure of government business enterprises (railway, power commissions, etc), are included under appropriate industry headings.

TABLE 21. Business Gross Fixed Capital Formation, 1961-65
Reconciliation Statement
(millions of dollars)

	1961	1962	1963	1964	1965
1. Total private and public investment in Canada(1)	8,172	8,715	9,393	10,944	12,798
2. Deduct - New residential construction by governments(2)	- 9	- 10	- 6	- 7	- 9
3. New non-residential construction by governments	- 1,368	- 1,562	- 1,609	- 1,618	- 2,113
4. New machinery and equipment outlays by governments	- 160	- 183	- 187	- 216	- 252
5. Business gross fixed capital formation	6,635	6,960	7,591	9,103	10,424

(1) As presented in the publications "Private and Public Investment in Canada".

(2) General government non-rental housing. Government enterprise housing included under line 5.

TABLE 22. Exports and Imports of Goods and Services, 1961-65(1)
Reconciliation Statement
(millions of dollars)

	1961	1962	1963	1964	1965
<u>Exports of goods and services:</u>					
1. Merchandise exports	5,889	6,380	7,082	8,240	8,737
2. Gold production available for export	162	155	154	145	138
3. Interest and dividends received from non-residents	209	202	230	313	315
4. Other receipts for services	1,474	1,646	1,796	1,978	2,177
5. Sub-total - "Current receipts" as per Canadian Balance of International Payments	7,734	8,383	9,262	10,676	11,367
6. Inheritances and immigrants' funds	- 103	- 124	- 151	- 169	- 211
7. Total "exports of goods and services" as per National Accounts(2)	7,631	8,259	9,111	10,507	11,156
<u>Imports of goods and services:</u>					
8. Merchandise imports	5,716	6,203	6,579	7,540	8,636
9. Interest and dividends paid to non-residents	770	794	860	978	1,048
10. Other payments for services	2,230	2,260	2,365	2,591	2,819
11. Sub-total - "Current payments" as per Canadian Balance of International Payments	8,716	9,257	9,804	11,109	12,503
12. Inheritances and emigrants' funds	- 174	- 175	- 186	- 190	- 206
13. Total "imports of goods and services" as per National Accounts(2)	8,542	9,082	9,618	10,919	12,297

(1) Data sources are the reports "Canadian Balance of International Payments" (Balance of Payments section, Dominion Bureau of Statistics), and other information received from the Balance of Payments Section. Figures exclude mutual aid to N.A.T.O. countries.

(2) See Table 2.

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